

20 October 2023

David Hatfield  
Competition Exemptions  
Australian Competition and Consumer Commission

By email: [exemptions@acc.gov.au](mailto:exemptions@acc.gov.au)

Dear David

**Hunter Resource Recovery applications for authorisation (AA1000647 and AA1000648) – interested party consultation**

1. City of Newcastle (**CN**) refers to the ACCC's letter of 5 September 2023 seeking submissions in response to the above authorisation applications by Hunter Resource Recovery Limited (**HRR**) on behalf of itself and various local Councils. We also refer to the email from Anna Pound dated 15 September 2023 confirming an extension for CN to respond to your letter until 22 October 2023 and thank you for this extension.

**City of Newcastle**

2. CN is the second largest local government area outside Greater Sydney. It covers an area of 187 sqkm and manages a vast network of facilities. CN supports a population of approximately 170,000.
3. As a local Council, CN is responsible for looking after public facilities and providing community services, including waste management and recycling. The cost of these services is recovered by CN from its residents by way of a levy imposed on ratepayers within the CN geographic area.
4. CN has recently adopted a Sustainable Waste Management Strategy which is focused on:
  - (a) Repositioning the Summerhill Waste Management Centre (**SWMC**) to become a Hunter Region circular economy activity centre
  - (b) Delivering a regional large scale Materials Recovery Facility that will mitigate the ongoing exposure to material cost escalations associated with the management of recyclables waste for all Councils within the Hunter Region as well as enable the development of local industry to further recover the more complex recyclables waste streams
  - (c) Establishing a vertically integrated Organics Recovery operation that will provide quality assured value-added horticulture and landscape products for reuse in local communities, infrastructure and industry
  - (d) Utilising the SWMC onsite solar and landfill gas generated renewable energy to power onsite operations
  - (e) Optimising landfill infrastructure, operations and airspace utilisation to minimise environmental and social impacts as well as extended resource recovery
5. As part of this strategy CN has appointed a new Managing Director Waste Services. The mandate for this role includes exploring how CN can best collaborate with the surrounding communities, Councils and industry to develop and deliver a sustainable circular economy within the region.

### Recyclable waste collection

6. Waste collection, including collection of recyclables waste, is a valued service of CN's ratepayers and residents.
7. Since 2018 the costs associated with the collections and processing of CN recyclables waste have increased by 152%. Based on CN's experience the incumbent recyclable waste collectors and processors have leveraged market complexities for financial gain from the Hunter Region Councils.
8. CN currently uses Solo Pty Ltd (**Solo**) to collect the recyclables waste stream from kerbside within the Local Government Area. Solo is also the incumbent recyclables waste collector for the HRR member Councils.
9. From 1 November 2023, Cleanaway Limited will take over the recyclables waste collections within the CN Local Government Area from Solo. Cleanaway was selected as the preferred tenderer in the recent CN recyclables waste collections tender.

### Recyclable waste sorting and processing

10. Up until 2019 CN's recyclables waste was sorted and processed through a Materials Recovery Facility (**MRF**) located at Gateshead, i.e. the same MRF as the HRR member Councils. CN currently produces c.15,000 tpa of recyclables waste.
11. Given the significant processing cost increases that were proposed by the Gateshead MRF when the waste related commodity export restraints came into effect in 2018, CN made a decision to change MRF service providers.
12. Since 2020 all of CN's recyclables waste has been bulked up at Summerhill Waste Management Centre and transported to a large scale MRF for sorting and processing. This MRF is located at Somersby NSW.
13. As part of its new Sustainable Waste Strategy, in 2021 CN tendered for the design, construction, operations and maintenance of a regional MRF, to be located at the CN owned and operated Summerhill Waste Management Centre (**Summerhill MRF**).
14. CN is in the final stages of a Development Approval application to construct and operate the MRF on the Summerhill site.
15. The underpinning object of the proposed Summerhill MRF has been to enable all Councils within the Hunter Region and their communities to benefit from having a sustainable scale based regional MRF to cater for the sorting and processing of their recyclables waste streams.

### Hunter Resource Recovery

16. HRR is a public company limited by guarantee, and its members are Cessnock City Council, Lake Macquarie City Council, Maitland City Council and Singleton Council (**Member Councils**). It is noted that the authorisation applications submitted by HRR have been submitted by it:
  - (a) on behalf of itself and the Member Councils (in relation to recyclable waste collection); and
  - (b) on behalf of itself, Dungog Shire Council, Muswellbrook Shire Council and Upper Hunter Shire Council (together, the **Regional Councils**) and the Member Councils in relation to waste processing.
17. As evidenced in the map provided in support of the applications, the Member Councils and Regional Councils, together, represent 7 of the 9 local councils comprising the Hunter

Region of New South Wales and in total represent 63% of the population of the Hunter Region. CN and Port Stephens Council are the remaining Councils in the Hunter Region.

#### **Authorisation application – collection of recyclables**

18. HRR has sought, for itself and the Member Councils, authorisation to:
- (a) finalise the existing contract regarding both the collection and processing of recyclables for the remainder of that contract period, ending on 30 June 2025; and
  - (b) tender for, and administer, a new contract for the collection of recyclables, to take effect on and from the end of the existing contract for a period of 12 years (10 years plus 2 additional 1 year options), with a total potential contract term ending on 30 June 2037.

#### **Authorisation application – sorting and processing of recyclables**

19. HRR has sought, for itself, Member Councils and Regional Councils, authorisation to:
- (a) finalise the existing contract regarding both the collection and processing of recyclables for the remainder of that contract period, ending on 30 June 2025; and
  - (b) tender for, and administer, a new contract for the sorting and processing of recyclables, to take effect on and from the end of the existing contract for a period of 25 years (15 years plus 2 additional 5 year options), with a total potential contract term ending on 30 June 2050.

#### **Interim authorisation**

20. CN notes that HRR has sought interim authorisation:
- (a) to enable it to progress the tender process by way of requesting and evaluating tenders for the proposed arrangements and to provide HRR's existing contractor with 12 months' notice of termination of the existing HRR collection, sorting and processing contract arrangements;
  - (b) due to the fact that HRR's existing authorisation for collection, sorting and processing of recyclable waste is set to lapse on 4 May 2024, yet HRR's existing contract for collection, sorting and processing expires after the permitted authorisation period on 30 June 2025; and
  - (c) to allow the successful tenderer to acquire an operations site, seek and obtain development consent to build a sorting facility, design and purchase plant and equipment, acquire necessary additional approvals, and undertake all necessary pre-operations steps.

#### **CN learnings to date**

21. Based on CN's recent experience in relation to the procurement of recyclables waste collection services as well as the design, construction, operations and maintenance of a MRF:
- (a) It can take 18 - 24 months to procure collections services, based on the current collection vehicle and body supply chain as well as labour constraints in the market;
  - (b) It can take +3 years to procure a new large scale MRF, based on development approvals and licensing complexities as well as extended construction timeframes due to materials supply chain and labour constraints in the market;
  - (c) A new 60,000 tpa MRF will cost +\$60m. This price includes the cost of planning, procurement, approvals & licensing, services compliance as well as design,

construction and commissioning. There are significant construction as well as plant & equipment cost escalations that need to be accounted for given the long procurement and delivery timeframes;

- (d) The bulk of the recovered commodity streams, i.e. Fibre, Metals, HDPE and PET (c.+65% of the input stream) from a Hunter Region based MRF will require transport to Sydney for further recovery or export. It should be noted that there is limited competition for these streams given the limited availability of outlets in the Australian market.

#### **Other considerations**

22. CN participated in the HRR MRF Expression of Interest process, providing an offer for the HRR Member Councils and Regional Councils to utilise the Summerhill MRF for the sorting and processing of their recyclables waste.
23. Based on CN's assessment, a + 85,000 tpa regional MRF, i.e. a MRF that catered for the HRR Member Councils, Regional Councils and CN's recyclables waste as well as additional recyclables waste from commercial operators within the region, would provide for a best value for money outcome to all parties, i.e. having 2 smaller scale MRF's within the Hunter Region would cost the respective communities more.
24. CN is supportive of the HRR proposed plans to procure recyclables waste collections services and a new MRF for its Member Councils and Regional Councils and assumes that a CN Summerhill MRF based submission would have the same prospects of success as any other tenderer's MRF offering in the process.
25. The costs associated with waste management and resource recovery have significantly increased since Covid-19. Each Hunter Region Council is now faced with affordability challenges associated with the required investment in new landfill, resource recovery, logistics and collections.
26. CN believes that the SWMC circular economy activity centre will be a key enabler for all Hunter Region Councils to work together to develop more affordable and sustainable outcomes to waste management and resource recovery moving forward.

#### **Restriction of publication claimed**

27. CN is comfortable for all sections of this submission to be included in the public version of this submission that is placed on the ACCC's authorisation register.

Yours faithfully



**Michael Allaway**  
Managing Director Waste Services