



Mr. Geoffrey Gray
Household Waste Collection,
CCPC,
Bloom House,
Railway Street,
Dublin 1,

02nd March 2018

Re: Consultation on Household Waste Collection Market

Dear Mr Gray,

Please find below Greyhound Households response to the discussion paper on the Household Waste Collection Market. Greyhound Household is largest service provider in the Greater Dublin market and the only provider to operate extensively in the domestic waste collection market throughout the county of Dublin.

We operate in a market which is the most competitive in Europe, offers consumers the best value for money, provides innovative solutions for increasing recycling and recovery and conversely comprises of a political cohort that seeks political capital from any operational or legislative changes.

The answers provided are very much weighted to the markets in which we operate. Although Greyhound is not a member of the IWMA they afforded Greyhound a copy of their submission and in broad terms Greyhound agrees with much of its content. The IWMA submission has been attached to the Greyhound submission as an appendix and where the IWMA stance covers our position this is stated.

Yours Sincerely,

John Brosnan

Managing Director
Greyhound Group
Crag Avenue,
Clondalkin Industrial Estate,
Dublin 22
D22 E718

Competition

In competitive markets consumers benefit from increased levels of innovation, higher service levels, and lower prices. It is therefore important that we understand the factors that impact on competition in the household waste collection market.

(a) In your view, are there distinct local geographic markets in Ireland in the household waste collection market? If so, what characteristics would govern their size and boundaries? Please explain your answer.

For businesses like Greyhound, that acquired local authority customer bases there is an impression that there are geographical boundaries to its areas of operation. In reality this is not the case with Greyhound now servicing parts of Kildare, all of DLR and parts of Fingal, areas that Greyhound did not acquire customers from the local authority. All companies, not just those operating in the waste management industry, are constrained in some way by economical and logistical factors in expansion and the areas of service are more defined by customer density and potential customers propensity to switch which ultimately equate to a cost to serve.

(b) What is your view on the level of competition in the household waste collection market in Ireland? Does this vary across the country? Where possible support your views with relevant data, analysis, reports, experience, etc.

The local authority areas of Dublin City Council and South Dublin Council in 97% of instances have at least 2 operators, with the majority of customers experiencing the option of at least three service providers to choose from. The market is highly competitive with price the primary competitive tool. Since privatisation customers in large portions of the DCC and SDCC market have had offers of all in waste collections for a year at €99 followed by offers of €69 all in for a year. No other areas in Ireland have had such low (below cost) prices and offers. Added services such as text message reminders, smart phone apps, frequency of collection, a multitude of payment options and bin washing are added to price plans to attract and retain customers, all leading to a higher service level and a greater value than that previously offered when service was provided by local authorities.

In the first five years after DCC and SDCC exited the waste collection market the average non waiver customer will have saved over €500 as a direct consequence of competition in the market as against local authority charges at the time of their exit. In the five year period post local authority exit DCC are on record as stating that if they were to be providing service the council would have been in a deficit to the amount of €50 million, €24 million in 2012 alone. In addition the council had payment arrears to the amounts of over €20 million when exiting the market¹. In 2010 SDCC issued a report² stating that they had the cheapest prices in Ireland and if customers used the bins “correctly” then it “should only be necessary to put the Brown Bin out every two weeks costing € 136.50 and the Black Bin every 4 weeks costing €136.50 in total, the new waste management system could cost €273 a year.” In February 2018 Greyhound offer a price plan which allows a customer to have a fortnightly black, brown and green bin collection for €222, €51 or 24% cheaper than the 2010 SDCC charge . This

¹ <http://votemcauliffe.com/dublin-city-manager-provides-full-report-on-waste-collection-service-2/>

² <http://www.sdublincoco.ie/index.aspx?pageid=939&pid=19069>

price option provides a more frequent collection whilst Greyhound is incurring far greater operational and disposal costs.

Privatisation and competition in the markets of DCC and SDCC has saved the circa 200,000 households circa €100 million as compared to local authority charging whilst saving the tax payer and local authorities in the region of €70-80 million at a minimum.

The level of competition is currently best illustrated by the way in which the industry is currently dealing the difficulties in the recycling commodities market. The cost to waste companies to threat the co-mingled recyclable material has more than doubled in the six months since China started rejecting foreign material³ however this cost has yet to impact customers pricing.

(c) Do you think most waste collection service offerings are broadly the same? Is the consumer's choice of provider influenced by factors other than price (e.g. frequency of service, consumer interface, etc.)? If so, are these important considerations for a consumer? Please explain your answer.

No there can be differences in the number of bins offered, frequency of service etc. The IWMA report attached as an appendix covers this question in more detail.

(d) In your opinion what would a well-functioning competitive household waste collection market look like in Ireland? For example, number of players, market shares, margin levels, levels of switching, number of operators in any given area/route. Is this in evidence in the market(s) in which you have experience? Please explain your answer.

The markets in which Greyhound operate are highly competitive. With the exception of certain areas where due to staff safety concerns no other operators other than Greyhound service, all customers have at least 2 service providers to choose from and the majority have three.

In general terms Greyhound agrees with the IWMA submission on this point.

(e) What in your opinion is the most effective method of market entry? For example, this could be setting up an entirely new household waste collection service, acquiring an existing operator, setting up a joint venture. Please explain your answer.

In the current market entry is best served via street by street, area by area expansion if the ability for acquisition is not an option. The cost to serve is significant and resources are best deployed in gaining route density. The markets of DCC and SDCC have seen multiple new operators enter and at present certain areas can choose from up to six service suppliers all supplying varying types of service.

(f) When an operator is considering entering a new market is the possibility that the incumbent operator could respond by also entering the new entrant's existing markets a key consideration? What are the main factors (e.g. densely populated routes) that are assessed to decide whether the potential of a new market will compensate for the possibility of also losing market share in an existing market? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

³ <https://www.independent.ie/news/environment/chinese-ban-leaves-us-on-the-brink-of-plastic-waste-crisis-36588322.html>

Operational Barriers to Entry

Where the market is defined at the local authority area level, each household waste collection market would likely display different characteristics in terms of the density and scale of households in that area, the number of treatment facilities and transfer facilities available, and the quality of the road network and level of Local Authority oversight.

(a) Are there any features which are unique to specific local authority area markets that make entry less attractive? Please explain your answer.

In the DCC market collections must be carried out on certain days depending on your location and in SDCC you are not permitted to collect bags. The DCC market has restrictions on the administration process for recording bag sales however this has proven difficult to enforce and smaller market entrants have ignored this byelaw and therefore operate at a lower operational cost basis and can offer customers a lower price.

In the DCC bag areas there is a large illegal counterfeit sale operation (the Gardai have indicated that this is being run by a well know organised crime cartel in the region)⁴. This criminal activity is a major factor in making the market less attractive to enter. In certain parts of DCC and SDCC collection crews have been attacked and attempted hi jacking of bin trucks has taken place⁵. This criminal activity is a major factor in making the market less attractive to new entrants to the market.

When Greyhound acquired the DCC household collection business 31% of paying customers were on waivers. Waivers were given to a household for a number of different reasons; household income, pensioner, medical reasons, through lobbying local councillors. As part of the acquisition Greyhound had to contractually honour the waivers for a period. For invoiced customers there was circa 35% non-payment by customers which resulted in the significant bad debts experienced by DCC. These factors resulted in a large percentage of the customer base not being economically viable for new entrants. This has resulted in competitor's cherry picking the profitable, paying customers in the market and not competing for the historic waiver and non-paying customers.

(b) What are the barriers to entry to a potential new entrant in a given local authority area market in Ireland (e.g. difficulties in customer switching, access to necessary treatment and transfer facilities, regulatory requirements, or other market characteristics.)? Are any of these disproportionate? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(c) What impact, if any, would a concentrated market (e.g. where there is only one or two major household waste collectors) for a local authority area have on the decision to enter such a market? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this

⁴ <http://www.thejournal.ie/counterfeit-bin-bag-operation-dublin-2998323-Sep2016/>

⁵ <https://www.irishtimes.com/news/crime-and-law/courts/circuit-court/man-jailed-for-attacking-binman-who-refused-to-collect-rubbish-1.3173819>

Market Coverage

Using Central Statistics Office census data and National Waste Collection Permit Office annual returns data the CCPC estimates that 77% of permanently occupied households availed of a household waste collection service in 2016. It is clear therefore that a significant proportion of households have alternative arrangements.

(a) What is your view of the assessment of the current number of households which do not avail of a kerbside waste collection service in Ireland/the area in which you have experience? Please provide any data, analysis, or reports which support your answer.

In our experience the proportion of customers in SDCC not availing of a kerbside waste collection service has not increased since the local authorities exited the market, with an increase in the number of households actually availing of bin collection services. This increase in customer numbers is primarily driven by the reduced costs of service since local authorities exited the market however there is a significant portion of customers still not availing of service or using illegal operators/non-compliant operators to dispose of their waste. This is best illustrated by the costs incurred by local authorities in SDCC and DCC in dealing with illegal dumping. In 2014 SDCC spent €3.2 million⁶ in “cleansing/illegal dumping” whereas this figure has now reduced to an average €1.3million over the three year period 2015-2017⁷.

(b) What in your opinion are the main reasons why households do not avail of a kerbside waste collection service? Are there some areas which do not have access to a waste collection service? If so, why is this the case?

All customers in areas serviced by Greyhound have access to waste collection services.

In areas serviced by Greyhound all customers can avail of and have access to the lowest cost of waste collection services in the EU and Ireland. These costs can be spread evenly over a 12 month period costing no more than €18.50 per month or for the waste operator an income of c€16.20 per month. This allows the customer 26 collections of black, brown and green bins, totalling approximately 600 square feet of disposal capacity or just short of the size of a squash court. Therefore cost is rarely the reason for households not availing of kerbside waste collection services.

Reasons why households do not avail of the service vary. Historic political activity whereby noncompliance was encouraged continues and this can create a culture with certain households of deviant activity. In addition periodic non-payment has the ability to create debt that alongside a lack of an industry switching code and minimal enforcement action encourages illegal dumping. This is complemented by local authority clean up activity which cements an opinion that the mess will be cleaned up anyway.

⁶ <http://www.sdcc.ie/sites/default/files/guidelines/draft-lmp-2015-2019-online-version.doc>

⁷ <https://www.dublinlive.ie/news/dublin-news/illegal-dumping-epidemic-shocking-cost-14160591>

(c) For those consumers who do not/cannot use a household waste collection service, in your opinion are there adequate facilities for centralised waste disposal (e.g. civic amenities, direct to landfill, Pay to use compactors etc.) in Ireland/the area in which you have experience? Please explain your answer.

In Greyhound serviced areas this is not an issue.

The IWMA response broadly matches the Greyhound position on this.

(d) Does the structure of competition in the market (i.e. side-by-side competition, or tendering for the market) have an impact on household participation in the kerbside waste collection market? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

Waiver of Waste Collection Charges

It is our understanding that some local authority areas operate a waiver system (as distinct from the €75 government subvention provided for persons with lifelong/long-term medical incontinence) and that in others, for example, Dublin city, operators continue to offer discounts to previous waiver customers on a voluntary basis.

(a) What local authorities currently operate a waiver, or other form of discount scheme, and what household qualification criteria is currently used for the selection of households which qualify for a waiver scheme?

Greyhound continues to operate a waiver scheme whereby households that historically received a waiver continue to receive a reduced cost of collection. Since the local authorities exited the market this continuance of the waiver scheme has cost Greyhound/ saved the customer c€15 million.

Local authorities in Greyhound operated areas do not operate any waiver/ discount schemes. The full cost for continuing this scheme continues to rest with the private operator. No other private operators in the SDCC and DCC market have ever offered or provided a waiver scheme.

(b) Do you think that a national waiver scheme should be introduced? Please explain your answer.

Greyhound would welcome support in the continued provision of waivers.

The IWMA response broadly matches the Greyhound position on this.

(c) What are the potential issues with the implementation of a national waiver scheme?

Criteria and payment are two issues. Who chooses who gets the waiver and also who gets paid the waiver – the operator or the customer? Based on our experience in DCC where 31% of the customers were provided with a waiver by DCC and our knowledge of the low level of waivers throughout the rest of Ireland any national waiver scheme could potentially costs hundreds of millions to the exchequer. We strongly believe any discussion around this issue would potentially become much politicised with a call for free bins to everyone.

The IWMA response broadly matches the Greyhound position on this.

Landfill and Incinerator Capacity

In 2016, emergency legislation was invoked by regulatory authorities to make additional landfill capacity available¹. This development was one of the stated reasons behind the introduction of mandatory incentivised pricing structures in the household waste collection market. Although Ireland's landfill and treatment capacity is outside the scope of the CCPCs current study, we would still like to determine the views of relevant stakeholders.

(a) Is there adequate capacity (landfill and incineration) to deal with Ireland's current and future residual waste generation? Please support your views with relevant data, analysis, or experience.

It is our understanding that there is adequate capacity in 2018 however pressure will develop in following years as landfills close and the population grows. The addition of the incinerator in Dublin has theoretically provided enough capacity for the local market however the importation of waste from other areas provides a threat for local providers in the future.

(b) In your view is there adequate capacity to deal with Ireland's current and future non-residual waste generation? Please support your views with relevant data, analysis, or experience.

The IWMA response broadly matches the Greyhound position on this.

(c) Does the structure of the household waste collection market (side-by-side competition, or tendering for the market) have an impact on investment in landfill and incineration facilities? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(d) Is access to a sufficient long-term volume of waste a key factor in the development of appropriate waste management and treatment capacity (e.g. requirement for long-term supply arrangements to facilitate investment in treatment facilities)? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(e) In your opinion, what impact will the current array of incentivised charging structures by operators have on Ireland's residual waste generation and waste streaming by households? Please explain your answer.

As a direct result of the competitive pressures in our market Greyhound operate an array of charging structures. Customers on a price plan which incentivises segregation and allows a saving, encouraging positive behaviour create less residual waste.

(f) In your view what measures, if any, could be introduced to ensure that Ireland has adequate landfill and incinerator capacity to deal with Ireland's current and future residual waste generation?

The IWMA response broadly matches the Greyhound position on this.

Regulatory Environment

Ireland's overarching policy objectives in the waste management and waste collection markets are set by the Department of Communications, Climate Action and Environment. Local authority area waste management planning and enforcement is co-ordinated by three lead authorities for the Southern, Eastern and Midlands, and Connacht/Ulster areas.

2.7 Currently, the National Waste Collection Permit Office is mandated with issuing household waste collection permits in accordance with the Waste Management Collection (collection permit) Regulations. The responsibility for enforcing the conditions of the collection permits falls to individual local authorities.

(a) In your view are consumers adequately protected by the current regulatory environment (e.g. regulation of operator conduct, adequate complaints resolution procedures, ability to switch to an alternative provider, transparency of pricing etc.)? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(b) What impact, if any, do the current household waste collection permit regulations relating to the weighing of household and apartment waste have on the decision to enter a specific market? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(c) What impact, if any, do the current household waste collection permitting regulations and food bio regulations have on the number of household waste collection operators in the State? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this however the regulations need to be enforced more rigorously. A number of smaller operators are identified a gap on enforcement and act accordingly. At least five operators in the Dublin market do not offer a bin for compost and/or offer bag collections in areas where this is illegal.

(d) What impact, if any, has the introduction of the new regulations which effectively prohibit the offering of flat-fee charging structures had on market entry by operators? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(e) What are your views of the roll-out of a dedicated bin for organic household waste in Ireland? Please support your answer with experience or relevant data.

This service has been in place for all Greyhound bin users for over 5 years.

(f) The current waste collection permit regulations apply to waste collected from households and apartments. In your view, what, if any, enhancements to the current regulations would be appropriate for apartment collection? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(g) In your opinion, what impact could tendering for specific markets (i.e. competition for the market) have on the household waste collection market in Ireland? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this.

(h) In your opinion, are the current regulatory and enforcement regimes in the household waste collection market adequate? What, if any, changes to these regimes would be appropriate? Please explain your answer.

The IWMA response broadly matches the Greyhound position on this however we would like to see local authorities auditing all operators at least once per annum and examining their compliance with collection permits and local byelaws.

Other Views

Please provide any further views you may have on the household waste collection market in Ireland.