

The City Bin Co.
submission relating to the
CCPC Consultation on Household
Waste Collection Market

the city bin co



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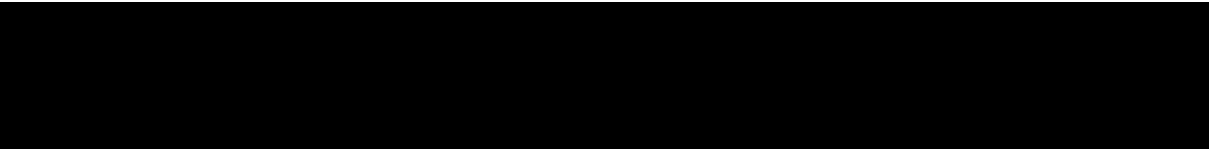
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The proposed submission has been prepared on the agreement that (i) the contents of the submission that are highlighted in grey shall be kept entirely confidential and shall not be published or disclosed to any party outside of the CCPC and (ii) on the basis that the submission shall not be published in its entirety and (iii) only excerpts that are not highlighted can be incorporated into any public report and ascribed to The City Bin Co.

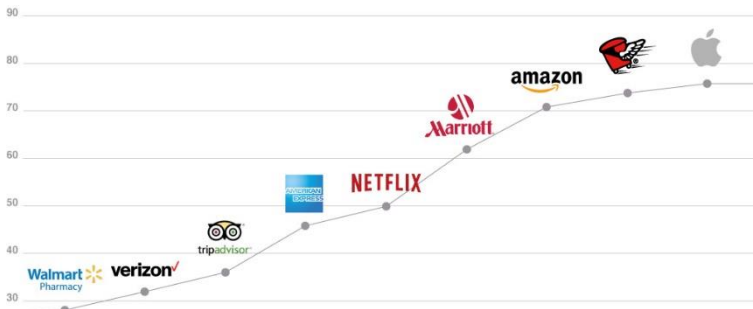
Introduction

The City Bin Co. is an award-winning waste management company. We are a four-time winner of the Deloitte Best Managed Companies' Award (Ireland) - 2009, 2010, 2011 and the Gold Standard Winner 2012. In 2013, and again in 2017, The City Bin Co. was named the National Winner of the European Business Awards (Customer Focus Category) and went on to represent Ireland at the EBA finals. In addition, the company has also been awarded the 'Index of Excellence' a European Quality Management Award and is one of only six Irish companies to receive this accreditation.

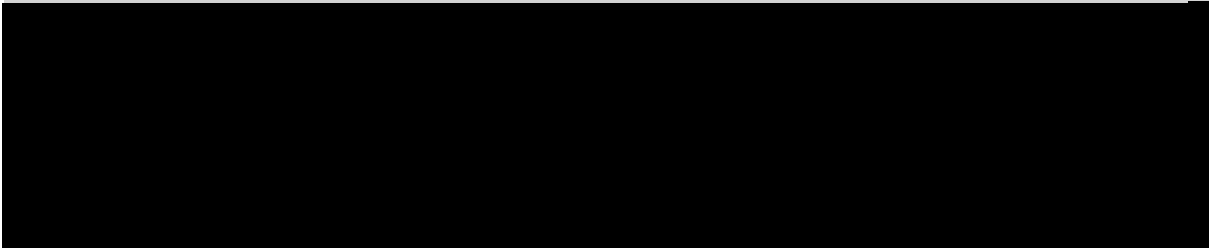
The company's roots are in customer service and operational efficiency. Founder and CEO, Gene Browne, a Quality Engineer, created the business in 1997 as an 'operational experiment in service quality' to compliment his then Business Excellence Consultancy.



The company has adopted the Net Promoter Score (NPS) to measure customer satisfaction www.netpromoter.com. The NPS benchmark is used by 60% of the Fortune 2,000 as well as tens of thousands of smaller companies globally. The average NPS score across all companies is 15. An exceptional score is 50. The City Bin Co. scores consistently above 70 across all markets.



As a result, The City Bin Co. management are regular presenters at Customer Experience conferences in Europe.



Competition

1.1 In competitive markets consumers benefit from increased levels of innovation, higher customer 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.*


No. The main characteristic that determines the boundary of a market is the proximity of the operational hub to the customer base and the transfer/disposal outlets. From experience, the range can be as high as 100km but is typically around 50km due to logistical costs and constraints. The choice of range can vary and choices are mostly guided by financial, customer and competitive factors. The range opens markets that contain typically tens of thousands of potential customers - sometimes hundreds of thousands.

- (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.*

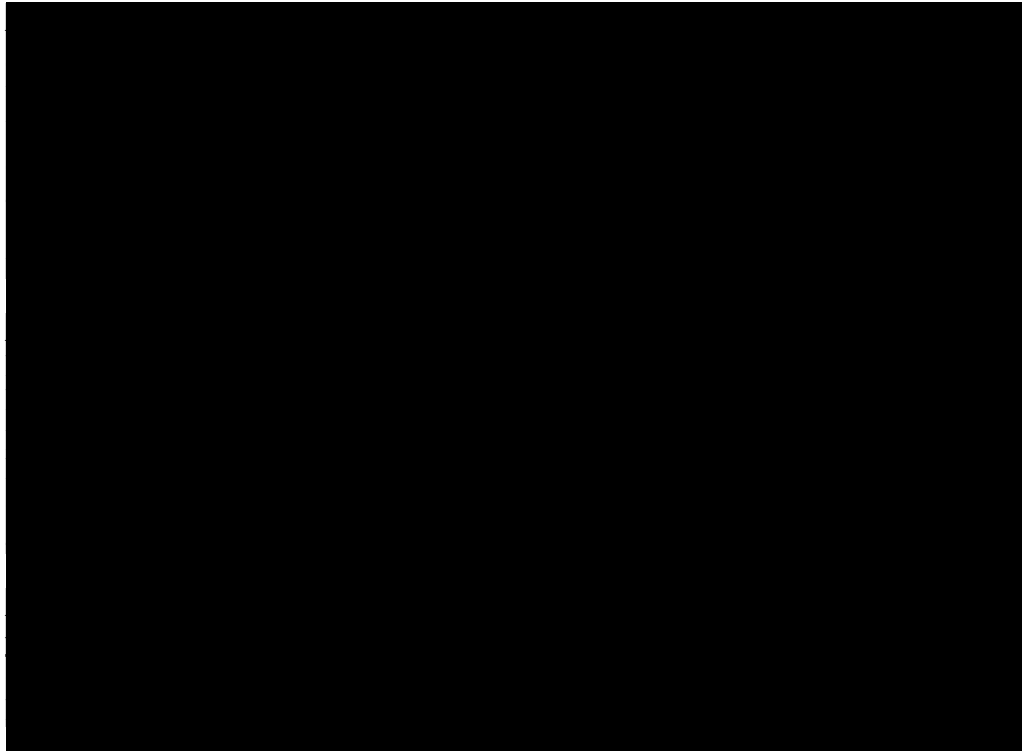
The City Bin Co has always been a challenger to incumbents in all of our markets, so today, there is competition in every street and estate in which we operate. Our view is therefore that the sector is competitive and even hyper-competitive in certain areas and at certain times. From experience, the Irish market mostly conforms to having more than one player in each area i.e. with around sixty collectors of household waste (although our detailed knowledge is limited to Dublin, Galway and surrounding areas). There are some areas that are exceptions but even here, the neighbouring operators often provide a meaningful competitive force on customer service and price levels.

- (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.*

All offerings are broadly similar insofar as they are based on a combination of price and service. Some households have a preference for lowest price, but most prefer to receive value added features in return for a small premium. Such features include collection frequency, bin size, charge types, breadth of recycling options, bank holiday collections, extra collections during busy periods, payment methods, payment frequency, reminder SMS, recycling reports and so forth.

There are significant differences between operators in their own service features which in turn varies their attractiveness for different households. 

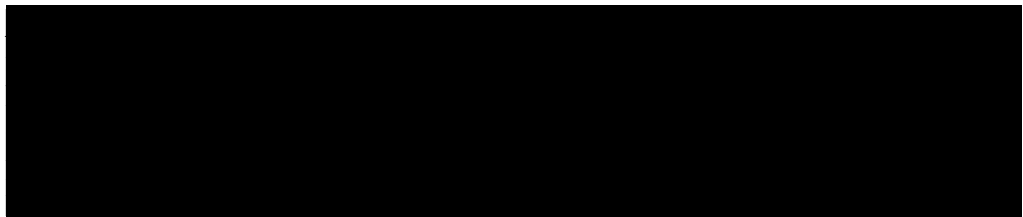
- (d) *In your opinion what would a well-functioning competitive household waste collection market look like in Ireland? For example, number of players, market shares, margin levels, levels of switching, number of operators in any given area/route. Is this in evidence in the market(s) in which you have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



- (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.*



- (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.*

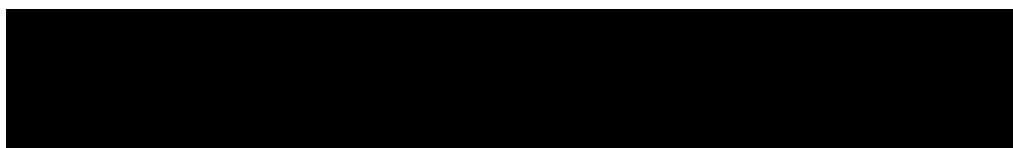


Operational Barriers to Entry

1.2 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.

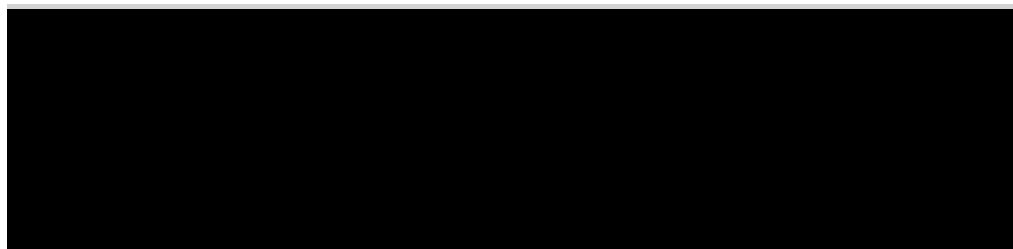
- (a) *Are there any features which are unique to specific local authority area markets that make entry less attractive? Please explain your answer.*

No. Operational barriers to entry are low in the industry regardless of whether the market definition includes local authority boundaries (which it should not). As the customer base grows, the economies of scale increase rapidly, and capital investment can be stepped up.

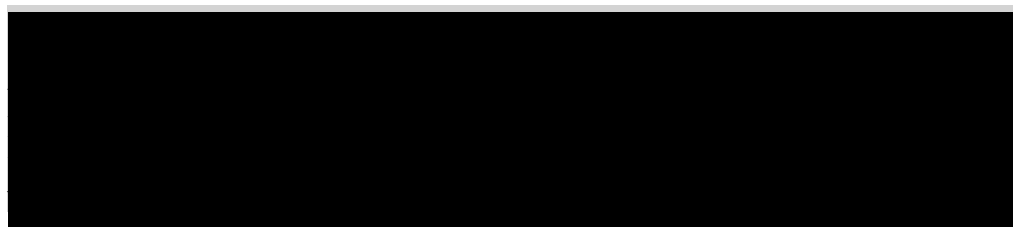


- (b) *What are the barriers to entry to a potential new entrant in a given local authority area market in Ireland (e.g. difficulties in customer switching, access to necessary treatment and transfer facilities, regulatory requirements, or other market characteristics.)? Are any of these disproportionate?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

None on a local authority area level. There is some localised permitting and by-law know-how, but these are very manageable. Switching has become easier for customers since the involvement of the National Consumer Agency [sic] and the implementation of the Customer Charter.



- (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.*



¹ <https://www.irishtimes.com/news/environment/controversial-poolbeg-incinerator-plan-set-to-proceed-1.1919259>

Market Coverage

1.3 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.*

The City Bin Co has no certainty or method of fully understanding the number of active households in any of our markets. Anecdotally, we believe it to be a much smaller problem in Galway and Dublin than 23% of households suggested. We have no particular view or opinion on the assessment other than to say that the local authorities should know this information. We believe that if there is an issue with households not availing of a service then it is the responsibility of the local authority to resolve. We also believe that this is much more of a rural than urban issue.

- (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?*

We are unaware of any specific areas with supply side problems (i.e. no service available) so one would imagine that the primary reasons are (a) an unwillingness to pay and (b) an inability to pay for a service.

- (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.*

It is likely that lots of non-consumers use the various substitute options available (e.g. illegal dumping, burning, bin sharing, drop-off centres, pay-to-use compactors, etc.). We have limited experience of non-consumers but it seems logical that there are not enough facilities and options.

- (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.*

If tendering for the market would retain variable charging for householders, and the same legislations as today, then the answer would be, "no".

Waiver of Waste Collection Charges

1.4 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?*

As far as we are aware, only Limerick and some local authority apartment complexes e.g. about 20,000 householders in Dublin City.

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

Yes, if the polluter pays principal can be somehow maintained. [REDACTED]

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

[REDACTED]

Landfill and Incinerator Capacity

1.5 In 2016, emergency legislation was invoked by regulatory authorities to make additional landfill capacity available². 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.*

No. There are now 5³ landfills in Ireland (compared to 25 in 2010⁴). While the move away from landfill to recovery options is good news, the overall capacity remains at critical levels. In early 2018, there is an expected capacity shortage for residual waste of 20,000 tonnes⁵. While this seems small (about 2%), it poses two problems; it dramatically pushes disposal prices up for operators and ultimately end users and increases the risk of stockpiling.

Based on a study of our own pay-by-weight customers, [REDACTED]

- (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.*

² <https://www.dccae.gov.ie/en-ie/news-and-media/press-releases/Pages/Household-Waste-Collection-Charging-Arrangements.aspx>

³ <http://www.epa.ie/irelandsenvironment/waste/>

⁴ <http://www.pressreader.com/ireland/irish-independent/20170629/283296047594656>

⁵ Based on feedback from Regional Waste Coordinators in February 2018.

No. There is a shortage of the number of facilities sorting the material and there is a problem with the international markets for the materials. The latter is outside of the control of the industry and the government.

- (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.*

Our opinion is that it does not (assuming incentivised pricing structures remain in place). Generally, the volumes of waste generated are more dependent on economic activity and consumer confidence than on the structure of competition.

- (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.*

Our opinion is that certainty on long term waste policy is more important than securing long term volumes. Generally, the supplier of waste management and treatment capacity must develop their own unique advantage. An advantage higher up in the value chain is closely aligned to (a) their technology and (b) proximity to the waste generation.

- (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.*

Based on experience, customers on incentivised pricing structures generate less material than customers on fixed pricing structures. In addition to this advantage, they also have higher recycling rates (green and brown bins). Although a pure "pay-by-weight" pricing policy would have had an even higher benefit.

- (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?*

Over the long term, a more responsive and stable policy and regulatory framework would allow for investing in facilities. Over the immediate term, there should be an automatic set of responses required of certain facilities (i.e. temporarily increase their capacity) once an upper control limit is reached. This could be then tested at quarterly checkpoints in the year. For example, if there were 20% of annual capacity used in Q1, then Q2 should automatically be allowed a 10% increase on current capacity, etc.

Regulatory Environment

- 1.6 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 coordinated by three lead authorities for the Southern, Eastern and Midlands, and Connacht/Ulster areas.
- 1.7 Currently, the National Waste Collection Permit Office is mandated with issuing household waste collection permits in accordance with the Waste Management

Collection (collection permit) Regulations⁶. 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.*

[REDACTED]

- (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.*

None. It is an even playing field for all and, while there is an initial upfront investment in technology, it is almost irrelevant when spread out amongst all customers.

- (c) *What impact, if any, do the current household waste collection permitting regulations and food bio regulations⁷ have on the number of household waste collection operators in the State? Please explain your answer.*

None. It is an even playing field for all and not something that would have any meaningful impact on the customer.

- (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.*

[REDACTED]

- (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.*

The proper roll-out of the brown bin will remove residual waste volumes (almost 40% of the material collected by The City Bin Co is placed in the brown bin). Operators should be encouraged to provide the service using bins that are a minimum of 120l capacity, collected fortnightly.

- (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.*

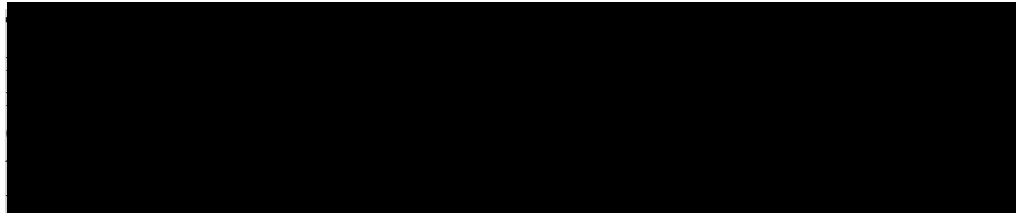
It is extremely difficult, particularly with respect to the brown bin, to implement policies designed for residents living in houses to residents of apartments (and other communal waste collection areas). Policies impacting household waste, that is collected from communal bin areas, should be revisited.

⁶ S.I. No. 24/2016 - Waste Management (Collection Permit) (Amendment) Regulations 2016

⁷ European Union (Household Food Waste And Bio-Waste) Regulations 2015 Part 2 requirement to supply dedicated organic bin

- (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.*

Tendering markets will have a dreadful negative impact in competition and also on the existing operators in the market. Many SME's inside and outside the sector would be forced to close and probably be replaced by a very small number of large operators. The winners will have to invest hundreds of millions of euros in setup and infrastructure – an unnecessary bill that will find its way to householders one way or another.



The policy would also be detrimental to competition in other parts of the market (commercial, industrial and construction service providers) as it would evaporate economies of scale and scope. It's easy to see how it will lead to higher prices and poorer service standards for businesses around the country. This, in turn, will have an impact on consumer prices.

Customer service and innovation levels would also stagnate and regress as there would be no incentive on the operator to improve services. The current system of open competition is what makes the Irish household waste collection market the most service orientated and advanced in the world.

Tendering for the market would be highly damaging for households in Ireland. We believe it would lead to higher prices, lower service standards and the elimination of innovation.

Side-by-side competition has led to lower prices. When The City Bin Co entered the Galway City household market in 2006 (when the incumbent price was €357 for the year).



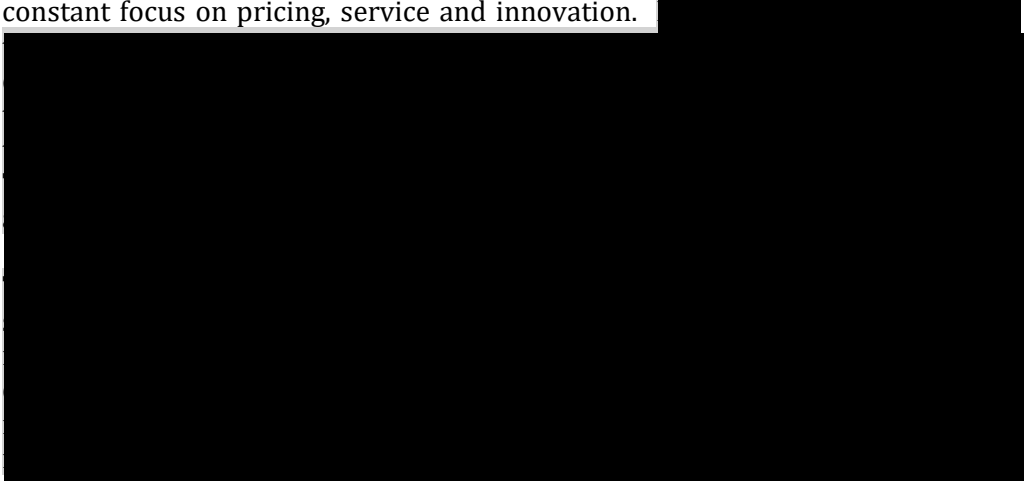
All of this came during a period of increased costs in the landfill levy, wages, fuel and insurance. While we do not have similar data available for the Dublin market, it is our belief that the savings and service benefits are clear.

Side-by-side competition has led to increased service standards and innovation. Customers are receiving improved features on all fronts; contactability, collection frequency, bin size, charge types, breadth of recycling options, bank holiday collections, extra collections during busy periods, payment methods, payment frequency, reminder SMS, recycling reports and so forth. Many of these are incremental benefits that are innovated and built over time. Tendering for a market would leave some out and, by its nature, exclude any consideration for new features.

Much progress has been made by the private sector in assisting national policy over recent decades. The City Bin Co, and some other players, have proven to be deft at communicating, supporting and implementing these same policies. It is

difficult to see how the changing legislative and environmental context can be catered for with competition for the market.

Side-by-side competition is the best tool to ensure current operators maintain a constant focus on pricing, service and innovation.



- (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.*

Operators in the waste market are highly regulated. A very significant improvement in enforcement is required.

Other Views

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