

# CMA phase 2 investigation of Suez – Veolia

Please see below comments from XXXX in response to the issues statement of January 28<sup>th</sup>

In particular the comments relate to the points b) and e) of paragraph 16 of the document:

*(b) the supply of non-hazardous commercial and industrial waste collection services in the UK;*

*(e) the supply of non-hazardous waste incineration services at the local level in the Teesside, Wilton 11, Marchwood, and Kemsley local areas;*

## **Background**

XXXX is an SME regional waste and recycling operator providing non-hazardous C&I services mainly to offices, hospitality and retail facilities. The company has a core coverage areas and processing facilities in the south of the UK. In the core coverage area collection services are provided using a fleet of company operated vehicles. The company relies on a limited market of third parties for the disposal of residue waste (by incineration). As well as operations in the core coverage area, the company services national contracts (particularly where the customer has its most significant facilities in the core coverage area and smaller regional facilities).

## **Comments on non-hazardous commercial and industrial waste services**

The company is a minor competitor to Veolia, Suez and Biffa for national C&I contracts. XXX is able to compete through the use of regional sub-contractors to complement directly provided services. In the company's experience the "long tail" of competitors for national and large regional non-hazardous C&I contracts depends on a healthy functioning network of smaller regional companies.

We believe that a merger of Suez and Veolia will result in a Substantial Lessening of Competition for the national contracts for which we compete. There are three reasons for this.

1. The combined route density of the two operators with a dominant market share for national contracts will give increased pricing leverage against competitors such as XXXX and other regional operators in this sub-market, ultimately leading to a reduction in competition.
2. XXX is aware of instances of Veolia pricing particularly aggressively in the areas where they combine commercial and residential collections. A wider national footprint for combined commercial and domestic collections could mean that in bids for national contracts the combined company will be in a position to offer particularly aggressive pricing over a wider area, making it difficult for others to compete, lessening competition.

With respect to residual waste disposal incineration facilities, we would agree with the statement from one C&I collector in the full report published on 18<sup>th</sup> January 2022 that:

...."operating waste processing facilities was not particularly important if facilities were opened on a fair commercial basis but that Veolia and Suez had been competing unfairly by using the infrastructure made available to them through contracts with local authorities"....

In our core coverage area we have been denied access on a reasonable commercial basis to the Veolia facilities at XXXX . A combined Veolia-Suez entity could increase the competition lessening impact of such behaviour.

3. The reason that some customers choose to place national contracts with smaller operators is speed of innovation in areas such as material types recycled, reporting metrics and behaviour change engagement with waste generators. Ultimately, however, pricing always plays a highly significant role in the award of contracts. Diminished competition in the market because of the pricing power of a dominant provider will, in our view, limit innovation by competitors creating a feedback loop further reducing competition.

#### **Comments on the supply of non-hazardous waste incineration services at the local level**

XXX, along with other SME waste management companies requires third party services for the disposal of residual waste. In all areas the supplier options are restricted. Those operating facilities are able to strongly influence pricing as the cost of disposal is typically 50% of the price of the service cost to the customer, as others reported to the CMA in the phase 1 enquiry. As discussed above, our experience has been that Veolia has declined to offer access to facilities on reasonable commercial terms where the company operates facilities, limiting the market.

The geographic areas served by incinerator sites under consideration are in the region covered by XXX. The company would consider expanding services in future. It would be more difficult for XXX (or others) to compete here if access to disposal sites on reasonable commercial terms was blocked by a dominant combined company. We would therefore view the company merger as having the potential to substantially lessen competition.