

Response from [X] to the CMA's Provisional Findings Report

We have reviewed the Provisional Findings Report produced by the CMA and outline below our observations on the report, with our focus being on the industrial and commercial waste collection market and O&M MRF market.

Industrial & Commercial Waste Collections

Definition of a national customer

The Provisional Findings Report defines national customers as those who spend over £250,000 per year on industrial and commercial waste collection services. We consider that using £250,000 as the threshold results in many purely local and regional businesses being included in the definition of national customers. These are customers that could be serviced with only a local or regional footprint.

[X]

National customer market size for I&C collections

The Provisional Findings Report doesn't provide a total market size figure for customers with spend of over £250,000. However, having regard to the market shares calculated by the CMA, it appears the total market size estimated for customers spending over £250,000 is significantly understated, particularly when compared to Defra's figure for total I&C tonnage in the UK.

Number of operators providing services to customers with spend over £250,000 per year

There are numerous local, regional and national collections businesses, as well as brokers, who service customers with spend over £250,000 per year. The market share analysis in the Provisional Findings Report appears to exclude revenue generated by these types of companies and therefore likely overstates the market shares of the companies listed in the table.

Other comments

- **11.33 to 11.46 – role of brokers / FM**

The role and competitiveness of brokers and FM companies appears understated in the Provisional Findings Report. Brokers themselves have demonstrated their ability to compete for and win national customers, indeed two thirds of customers surveyed by the CMA indicated they would consider using a broker. The inclusion of only Reconomy and Mitie in the competitive assessment, ignores the significant role other brokers and FM companies play in the market, including Novati.

Furthermore, the ability for regional operators to win 'national' customers, by subcontracting work in parts of the country that it is unable to service directly, is largely overlooked.

- **11.56 - number of I&C customers in the UK**

In the Provisional Findings Report, there is reference to Veolia stating that there are over 100,000 I&C customers in the UK that require waste collection services. We are unsure as to whether this is factored into the CMA's assessment of total market size, but we believe that the actual number of I&C customers in the UK is considerably higher. This is a view supported by government estimates of the number of private sector businesses in the UK.

- **11.91 - the merger reducing options for brokers subcontracting national work**

The highly competitive nature of the market at the local and regional level means that there are many credible options outside of [X] and the Merging Parties for brokers, FM providers and regional waste collectors to subcontract work across the UK.

O&M MRF market

We expressed our views on the MRF O&M market shares on a call with the CMA on 1 June 2022 and provided supporting data through subsequent Q&A but, for completeness, we summarise below our key comments.

Number of MRFs operated by [X] and market share

The CMA provided [X] with a list of MRFs that it used when assessing its O&M MRF market share. The list included the [X] O&M MRFs we operate on behalf of a single local authority ([X]) but also included our [X] merchant MRFs (facilities owned by [X] and that compete for input volume from multiple local authorities), our industrial and commercial transfer stations (which focus on industrial and commercial waste streams) and [X] of our [X] facilities (which don't handle mixed recyclables). It therefore appears that the CMA have overstated the capacity of [X]'s O&M MRFs, which it has then used to calculate market shares.

We assess our market share as being [X] lower [X] when looking at either our share of merchant MRF capacity or our share of O&M MRF capacity, particularly when assessing volumes using the Environment Agency's waste flow data.

The ability of merchant MRF operators to enter the O&M MRF market

The Provisional Findings Report discounts the ability for merchant MRF operators, with no O&M experience, to enter an O&M contract with local authorities. We think there are a number of credible operators of merchant MRFs, with the operational expertise gained from running at least one merchant MRF, that could enter the market.

Outside of the companies listed in Table 8.3 of the Provisional Findings Report, these include:

- N+P (recently acquired Crayford MRF)
- Beauparc
- Reconomy (recently acquired Casepak)
- Cory
- Pearce Recycling
- Urbaser (recently acquired J&B Recycling)