

4 November 2016

Commerce Commission

**BY EMAIL: registrar@comcom.govt.nz**

**RE: Nelson-Tasman Landfills**

Waste Management NZ Ltd (“WM”) wishes to submit its comments in relation to the application to merge the operations of the Tasman District Council (“TDC”) landfill and Nelson City Council (“NCC”) landfill.

The TDC’s Eves Valley landfill and the NCC’s York Valley landfill are the only two waste disposal options in the Nelson region and are approximately 30kms apart. The nearest alternative is near Blenheim, approximately two hours drive away across mountainous terrain which is not an economically viable option.

WM is probably one of the biggest customers of both landfills. Generally, WM considers the two landfills to be servicing separate markets in that WM uses them as set out below, noting though that this is because of the disposal and transport cost differential between them:

- (a) WM generally only takes waste from within the Nelson area to NCC’s York Valley landfill (due to transport costs);
- (b) WM only takes waste from within the Tasman area to TDC’s refuse transfer stations (RTSs) that service TDC’s Eves Valley landfill (due to transport costs). General waste is not allowed to be taken direct to Eves Valley landfill – it has to go through one of TDC’s RTSs. WM primarily uses TDCs RTS at Richmond but it also uses the one at Mariri. There are other TDC owned RTSs at Golden Bay, Murchison and St Arnaud but WM doesn’t use these.
- (c) The exception to the above is special waste such as asbestos which must be taken direct to landfill. However WM takes most of its special waste to York Valley even if it originates in the Tasman area as there is no weighbridge on site at Eves Valley landfill and this requires the driver to drive somewhere else en-route to weigh the load which is not cost/time effective.

At the moment the RTS in Richmond is priced approximately \$10 per tonne dearer than the cost of disposal at York Valley landfill but is it still cheaper to go to the RTS in Tasman than to transport the waste from Tasman area to the landfill in Nelson so WM uses the RTS. It is the RTS which enables Eves Valley landfill to compete with York Valley landfill.

If the landfills become jointly owned/managed and both the York Valley landfill and the RTS in Richmond are not kept available to WM, then the adverse impact on WMs business will be substantial.

If Eves Valley landfill closes, this won’t impact WMs business too much as long as the RTSs remain open and available to WM. WM has heard rumours that the TDC intention is to close the RTSs to commercial waste (in effect to companies like WM), leaving them only available to residential customers and for household waste collected at kerbside by TDC’s contractor. This will make WM’s Tasman operations difficult.

WM estimates that just to cover the current workload in that situation, it will have to put on additional trucks and drivers, at a cost of approximately \$150k per annum. There would also be an increase in the running costs which WM estimates to be approximately 25-35%.

If this scenario were to happen, WM would therefore face a large increase in operating costs by not having an economic disposal option available in the Tasman area. TDC's operating costs would reduce, but it would still retain the same revenue from the same waste now having to be taken directly to York Valley landfill at significantly higher cost to the consumer.

Once York Valley landfill closes (and assuming the RTS in Richmond is not available to commercial operators), if WM does not have access to a Nelson RTS, then the increased cost for additional trucks and drivers will be approximately \$480k per annum. WMNZ will have to transport all Nelson waste to Eves Valley (approximately a further 60km round trip per load more from Nelson and 25km per load more for Richmond loads).

In addition to this, WM estimates that its operating costs of transport will increase by approximately 50-60%, as each existing truck will only be able to do approximately half their current number of loads in a day due to the time and distance required for travel. NCC currently does not allow commercial operators such as WM to use its RTS in Nelson. Even if WM has access to the Richmond RTS in this scenario, WM will still have to transport its waste from Nelson to Richmond.

WM is also concerned that should the two landfills be jointly owned/operated, there will be no need for the Councils to compete for revenue and therefore there will be no incentive for them to keep prices to a competitive level which will further impact on the economic viability of WM's business in the region.

WMs understanding is that the two councils intend to proportion the York Valley income between them and then when that landfill is full to share the Eves Valley landfill income. If only one landfill is open at any one time, there will be no incentive to keep landfill disposal costs down as there will be no alternative disposal option in that region. This is a real concern to WM.

Even if WM is given access to the RTSs in Nelson and Richmond upon the other's landfill closing, there is concern that the costs charged to use them will rise (a) due to lack of competition and (b) due to the increasing cost of the relevant council having to transport the waste to the other landfill.

WM believes that it is necessary to keep the competitive tension between the two landfills as they are the only landfills in the area and due to the geographic location of that part of the upper South Island, transport costs to other areas are prohibitively high.

However, as long as the Richmond RTS remains available for the disposal of commercial waste, and commercial operators are allowed to access the Nelson RTS once York Valley landfill closes, the impact on WM from the proposed arrangement would be minimized.

Yours sincerely



**Gareth James**  
General Manager, South Island