



FREE AND FAIR COMPETITION IS ESSENTIAL FOR A CIRCULAR ECONOMY

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In the last of four Opinion pieces setting out the necessary ingredients for successful transition to a Circular Economy in Europe, David Palmer-Jones, President of the European Federation of Waste Management and Environmental Services (FEAD) and CEO of SUEZ UK, explains the importance of free and fair competition for achieving economic and environmental goals.

Achieving a circular economy and a more resource efficient society will require major changes in the use of resources, backed up by new European policy measures. This will involve introducing market based conditions along the whole value chain to incentivise all actors to take their responsibilities. Open markets and fair competition stimulate customised services and solutions, and open up possibilities for innovation and investment. They also help small companies to enter the market.

Waste legislation must be developed in this direction and adapted to a circular economy, not only from an environmental point of view but also from an economic point of view. By ensuring open markets and fair competition, jobs and growth will be created.

Private sector waste and resource management companies play a key role in a circular economy by delivering high quality services and by helping their customers to turn waste into resources, so reducing both costs and environmental impact. The waste and resource management companies provide services to the households and businesses which generate waste and also act as raw material and energy suppliers to industry. For the private sector to deliver these services and make the necessary long term investments for a circular economy, they need legal certainty and fair competition rules ensuring that the household waste market is opened up for increased competition.

But across the EU the principle of fair and open markets is not consistently applied. In some Member States municipalities claim that both waste from households and similar waste from the commercial and industrial sectors should come within their exclusive rights. In-house services in the municipalities are increasing, which can result in them awarding contracts for household waste management to themselves without tendering, giving rise to inefficient "municipal monopolies". In some cases municipalities are also selling waste management services on the commercial waste market, taking unfair competitive advantage of concessions such as lower-rated VAT, only afforded to public bodies.

The mixing of household waste management services and commercial activities by municipalities risks giving rise to illegal state aid and cross-subsidisation, as householders are put at risk of paying for the collection and treatment of commercial waste. Many Member States do not have sufficient controls in place to prevent this from happening.

In addition, decisions on waste management are often taken by local public authorities with no or little coordination with private actors. This can lead to sub-optimal practices, for example municipalities investing in waste treatment which is at a lower level in the waste hierarchy, and sometimes creating local over-capacity, so affecting the possibility of reaching EU recycling targets.

FEAD has observed a clear trend towards increasing public sector activity in the recycling market in several Member States. This goes against ample evidence which shows that competition through private sector involvement delivers better outcomes for the environment and for taxpayers. Municipal involvement without recourse to competitive tendering can mean an inefficient use of resources and unnecessarily high costs for residents. Municipal undertakings have fewer incentives than private providers to operate efficiently since any losses can be covered via tax receipts or charges, whereas private undertakings must acquire expensive capital or even leave the market.

Against this background, FEAD makes the following recommendations:

- Household waste management markets should be opened up to competition from private entities. Competition in waste markets should be the norm.
- The legal responsibility of municipalities should be limited to the collection arrangements for household waste only, by recourse to mandatory open tender to provide the best value-for-money service to the taxpayer and the most efficient use of taxpayer funds.
- In line with European Commission recommendations, Member States should not attach specific public service obligations to waste management services that are already provided or can be provided by undertakings operating under normal market conditions.
- There should be equal market conditions and clear regulations for municipalities operating both on the household and commercial waste markets. The competitive advantages enjoyed by municipal undertakings should be removed (such as lower VAT rates and the possibility of “cross-subsidisation”).

A crucial element in delivering a circular economy is to create open markets and fair competition for waste and resource management services. Fair competition will deliver a circular economy much more effectively and efficiently. The benefits are clear; more choice for customers, lower costs for households, higher recycling rates, more innovative recycling solutions and the potential for higher growth and more jobs.

About FEAD

FEAD is the federation of the European private waste management industry. FEAD's members are national waste management associations covering 18 EU Member States, Norway and Serbia. They have an approximate 60% share in the household waste market and handle more than 75% of industrial and commercial waste in Europe. Their combined annual turnover is approximately € 75 billion.

FEAD represents about 3,000 companies with activities in all forms of waste management. These companies employ over 320,000 people who operate around 2,400 recycling and sorting centres, 1,100 composting sites, 260 waste-to-energy plants and 900 controlled landfills. They play an important role in the determination of the best environmental option for waste management problems and in returning valuable secondary raw materials to the European economy.

FEAD's recently-launched Strategy 2014-2020 brochure “Driving the Circular Economy” sets out our vision of the policies needed to allow the industry to play its full part in achieving economic growth in a resource efficient and environmentally sound way, and it can be downloaded [here](#).

