



MEDIA RELEASE

15 January 2020

CCCS Consults on the Proposed Acquisition by SembWaste Pte. Ltd. of Veolia ES Singapore Pte. Ltd.

The Competition and Consumer Commission of Singapore (“**CCCS**”) is inviting public feedback on the proposed acquisition by SembWaste Pte. Ltd. (“**SembWaste**”) of 100% equity interest in Veolia ES Singapore Pte. Ltd. (“**VESS**”) (collectively, the “**Parties**”) from Veolia Environmental Services Asia Pte. Ltd. (the “**Proposed Transaction**”).

2. CCCS received an application from SembWaste on 8 January 2020 for a decision on the Proposed Transaction. CCCS is now assessing whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

The Parties

SembWaste

3. SembWaste is a wholly-owned subsidiary of Sembcorp Environment Pte. Ltd., which in turn is a wholly-owned subsidiary of Sembcorp Industries Limited. SembWaste is an integrated solid waste management service provider in Singapore. It offers a comprehensive suite of services to the municipal, industrial and commercial sectors. Its range of solid waste management services includes:

(a) Waste collection comprising the following:

- (i) Public Waste Collection (“**PWC**”) – the collection of domestic/municipal waste from housing development board estates, landed properties, condominiums, government properties and small trade premises regulated under a Public Waste Collectors licence; and

- (ii) General Waste Collection (“**GWC**”) – the collection of commercial and industrial waste including but not limited to inorganic waste,¹ and organic waste² regulated under a General Waste Collectors licence; and

(b) conversion of recycled wood into wood chips.

VESS

4. VESS is part of the Veolia group, which designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. VESS’s operations in Singapore include PWC and GWC services.

The Proposed Transaction

5. SembWaste submits that the Parties overlap in Singapore for the supply of PWC and GWC services.

6. PWC and GWC services are part of the waste collection supply chain. The National Environment Agency (“**NEA**”) appoints public waste collectors for the six (6) geographical sectors in Singapore through open tenders which are open to companies that satisfy the NEA’s pre-qualification requirements. According to SembWaste, each tender on average will see approximately 10 applicants that meet the NEA’s pre-qualification criteria. Successful bidders in the NEA open tenders are awarded PWC licences to provide waste and recyclables collection services for seven (7) years.

7. Waste from commercial and industrial premises are collected separately by licensed general waste collectors.³ The NEA awards GWC licences based on an application basis. Entities requiring GWC services (e.g. businesses, hospitals) typically hold private tender processes or request for quotations from GWC licence holders.

8. According to SembWaste, the relevant geographic markets for the supply of PWC and GWC services are Singapore-wide, given the nature of such services and the requirement to be licensed by the NEA.

¹ Inorganic waste includes construction and renovation tree trunks and branches, furniture disposal, electrical appliances, wooden crates, pallets and other bulky items for disposal.

² Organic waste includes food and other putrefiable waste from domestic, trade and industrial premises, markets and food centres.

³ Please refer to the NEA website for more information (nea.gov.sg/our-services/waste-management/waste).

9. According to SembWaste, the Proposed Transaction is unlikely to result in the merged entity having market power, as the merged entity will remain constrained by strong competition from existing competitors and potential entrants. This is given the following:

a. **Relevant markets are fragmented, with many competitors**

The combined market share (by sales value) of the Parties does not exceed the CCCS's indicative thresholds⁴ and there remains a large number of competitors in the market (which is characterised by low barriers to entry).

b. **Strong buyer power**

In the PWC market, NEA will likely be able to exercise significant countervailing buyer power as the sole purchaser.

In the GWC market, buyers exercise significant countervailing buyer power as there is a large pool of suppliers in the market. This is demonstrative in the operation of the market where buyers are in a position to call for tenders or requests for quotations from GWC licence holders.

c. **Large pool of alternative suppliers for each of the markets**

End-customers have an abundance of alternative service providers to choose from as evidenced by the tender processes or requests for quotation adopted by most end-customers in the GWC markets, and NEA in the PWC market. In addition, the cost of switching is very low, enabling customers to switch suppliers easily.

d. **Threat of new entry**

In the PWC market, despite the relative reputational strength of the local players, a new entrant, the Alba Group, was awarded a PWC licence for the Jurong sector in the recent NEA tender process.

In the GWC market, given the low barriers to entry, the threat of new entry is significant, as evidenced by the large pool of GWC licence holders.

10. SembWaste submits that the Proposed Transaction is also unlikely to lead to collusion in the relevant markets, given the fragmented nature of the relevant markets, lack of transparency in respect of negotiated prices and the threat of disruption by new entrants.

⁴ CCCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless the merged entity has/will have a market share of 40% or more; or the merged entity has/will have a market share of between 20% to 40% and the post-merger combined market share of the three largest firms is 70% or more.

11. SembWaste also submits that the Proposed Transaction will enable SembWaste to achieve greater operational efficiency by acquiring additional technology, equipment and machineries, which will translate to greater cost effectiveness or a higher quality of service to SembWaste's current customers.

Public Consultation

12. CCCS is inviting public feedback on the Proposed Transaction from 15 January 2020 to 29 January 2020.

13. More information on the public consultation can be accessed and downloaded from the CCCS website at www.cccs.gov.sg under the section "Media & Consultation". If the submission/correspondence contains confidential information, please also provide CCCS with a non-confidential version of the submission or correspondence.

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About The Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore (“**CCCS**”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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