



Bayside Council

Serving Our Community

**IPART Draft Domestic
Waste Management
Charges Review –
Bayside Council
Submission**

April 2022



IPART Domestic Waste Charges Review – Bayside Council

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1. Introduction

This is Bayside Council’s submission on the Independent Pricing and Regulatory Tribunal of NSW (IPART) Review of Domestic Waste Management (DWM) Charges – Draft Report (December 2021), addressing the proposed methodologies, analysis, and recommendations within that draft report.

Bayside covers an area of approximately 55 square kilometres. The city includes 29 suburbs and an estimated population of over 180,000 people. The cultural diversity of the City continues to grow with an increase in the proportion of people who speak a language other than English at home.

Council is committed to providing a waste service that is both effective and innovative to adapt to opportunities and environmental changes. The collection and processing of waste material generated in the local government area is managed in accordance with relevant legislation, and Council values and strategies. Council is committed to working with all levels of government, the industry and the Bayside community to provide best practice and best value services and solutions to the management of domestic waste, which includes avoiding waste and maximising recycling and recovery of resources.

2. Preamble

2.1 Discussion Paper - IPART Local Council DWMC Charges – Aug 2020

In August 2020, IPART released a Discussion Paper reviewing domestic waste management (DWM) charges levied by NSW local councils. IPART’s preliminary analysis failed to consider a plethora of external cost drivers (out of local council control) that led to DWM charges increasing at a higher rate, over the last decade, than the state rate peg or inflation. It was an initial IPART view, in lieu of a comprehensive understanding of the waste industry and cost drivers, that DWM charges may not be delivering good value for ratepayers and there may be challenges for local councils in purchasing and pricing these services.

In the past IPART have not regulated DWM charges. In their 2020 Discussion Paper, IPART was considering whether this approach remains appropriate and suggested that ***“caution is needed, and prescriptive regulation may not be appropriate”***.

In that Discussion Paper, and with an assumption that ratepayers may not be receiving good value, IPART proposed ways to improve transparency and share best practice guidance to help local councils and ratepayers get good quality services at cost-reflective prices.

In the 2020 Discussion Paper, IPART explained their preliminary views and asked for feedback on whether stakeholders consider if there are issues with calculating DWM services, and, if so, what recommendations should be considered.

2.2 Feedback - IPART Local Council DWM Charges

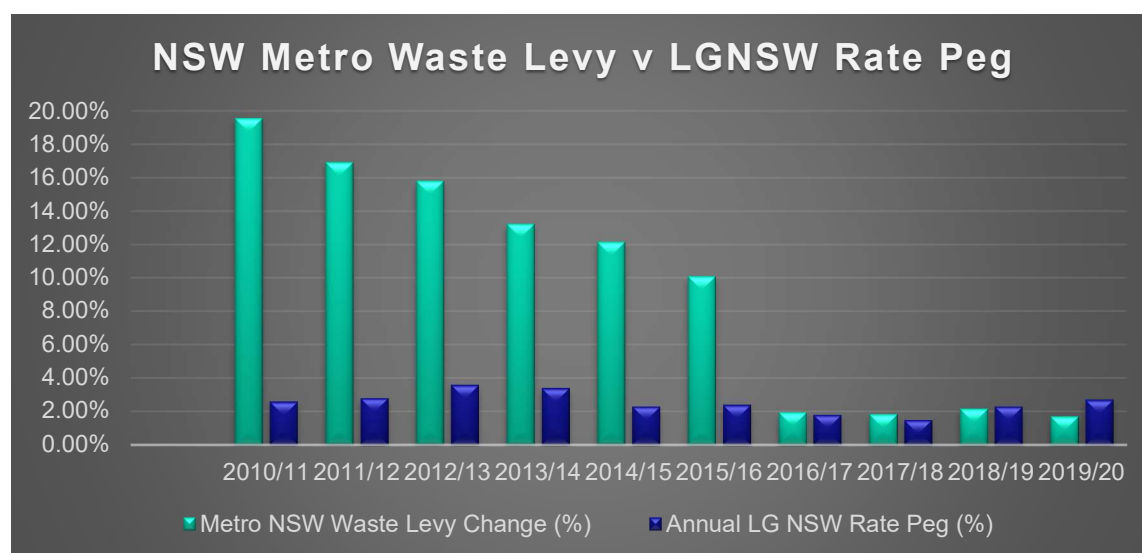
Local councils, inclusive of Bayside provided valuable feedback that either provided needed context, debated, and/or dispelled many assumptions or arguments presented.

From Bayside’s submission and one on one discussions, IPART was made aware that the DWM charges are heavily influenced by external cost factors, outside the control of council, and include but are not limited to:

1. Metropolitan State Waste Levy

This has increased by 144.2% or by an average rate of 9.34% per annum between 2009/10 and 2019/20 as opposed to the Local Government NSW (LGNSW) Rate Peg of 2.89% per annum in that period.

The State Waste Levy, currently \$147.10 per tonne for metro councils, makes up between 54.5% to 59% of waste disposal or an advanced processing gate fee.



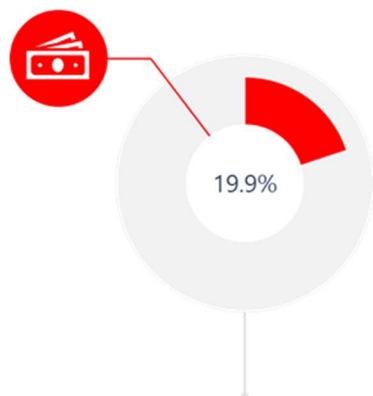
Period	Metro NSW Waste Levy (MWL)	Metro NSW Waste Levy Change (%)	Annual LGNSW Rate Peg (%)
2009/10	\$58.80		3.50%
2010/11	\$70.30	19.56%	2.60%
2011/12	\$82.20	16.93%	2.80%
2012/13	\$95.20	15.82%	3.60%
2013/14	\$107.80	13.24%	3.40%
2014/15	\$120.90	12.15%	2.30%
2015/16	\$133.10	10.09%	2.40%
2016/17	\$135.70	1.95%	1.80%
2017/18	\$138.20	1.84%	1.50%
2018/19	\$141.20	2.17%	2.30%
2019/20	\$143.60	1.70%	2.70%

Source: <https://www.epa.nsw.gov.au/your-environment/waste/waste-levy/levy-regulated-area-and-levy-rates>.

Source: <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Ratepayers/The-rate-peg>.

2. **Waste Levies flowing out of waste and recycling activities**

Of the \$771 million generated NSW levies in 2017/18, only 19.9% of NSW waste levies were spent on waste and recycling activities, inclusive of State EPA agency funding, according to the 2019 National Waste & Recycling Industry’s White Paper Review of Waste Levies in Australia.



Waste Levies spent on waste & recycling activities

Funds provided 2019/20	\$ million
Total Hypothecation	\$154.0
▶ Local Government	\$45.7
General Revenue	\$617.0
NSW WASTE LEVIES RAISED	\$771.0

<https://www.nwric.com.au/wp-content/uploads/2019/10/NWRIC-White-Paper-Review-of-Waste-levies-9Oct19.pdf>).

Bayside contribute, directly or indirectly over \$7 million per annum.

In March 2018, a parliamentary inquiry into waste handed down recommendations in relation to the NSW waste levies. It found that NSW is the second highest per capita producer of waste in the world, with the final report acknowledging that successive NSW Governments have “failed to effectively leverage levy funds” to support the development of much-needed services and infrastructure, leaving the state dependent on landfill.

The committee made several recommendations to overcome this issue, including that the NSW Government hypothecate a greater percentage of waste levy funds to local councils and the waste industry to support the provision of additional waste services, initiatives, and infrastructure.

In November 2020 the Auditor-General for New South Wales, Margaret Crawford, released a report that examined the effectiveness of the waste levy and grants for waste infrastructure in minimising the amount of waste sent to landfill and increasing recycling rates.

The audit found that the *NSW EPA has not conducted a review since 2009 to confirm whether the levies are set at the optimal level*. The audit also found that there were no objective and transparent criteria for which local government areas should pay the levy, and the list of levied local government areas has not been reviewed since 2014.

If IPART is claiming to protect the ratepayer on how the DWM charges are calculated and spent, they *should be advocating for hypothecation of the waste levies for waste and recycling activities*. One of the main focuses, as told to us by IPART in multiple discussions with their review of DWM charges was to ensure value was provided to the resident.

3. Reduction in NSW EPA Better Waste Recycling Funds (BWRF)

Councils received **43.3% less uncontested funds** from NSW waste levies in the 2017-21 funding cycle than in 2013-17 funding cycle. This was despite of increased levy contributions made by councils due to population growth, increased waste generation and levy increases.

NSW EPA BWRF Cycle	Levy returned to Councils
2013-17	\$68.8M over 4 years
2017-21	\$39.0M over 4 years

Source of 2013-2017 funding: <https://www.epa.nsw.gov.au/working-together/grants/councils/better-waste-and-recycling-fund>

Source of 2017-2021 funding: <https://www.epa.nsw.gov.au/-/media/epa/corporate-site/resources/wastegrants/19p2055-better-waste-and-recycling-fund-2017-2021.pdf?la=en&hash=4EA91157B313D717950E3940694F71DE5CF1DFA2>

Bayside Council only received approximately 2.6% or \$185,000 from the NSW EPA from the waste levies that Council contributed (>\$7 million) to NSW Treasury in 2019/20 to spend on a complex range of waste related issues, such as increased cost of recycling, illegal dumping, littering, education, regulation, achieving higher recycling & resource recovery, and so on.

4. Increased Cost of Recycling Processing

This was caused due to:

1. International and national waste bans,
2. Lack of local recycling infrastructure,
3. Monopolistic or duopolistic market forces,
4. Decline in commodity prices.

From 2017, when some councils were receiving up to \$35 per tonne in revenue for recyclable material to now paying a gate fee of up to \$150 per tonne in 2022, it would result in a standard council that generates 10,000 tonnes of recyclables to have a negative financial impact of \$1.85 million per annum.

Cost of Recycling Processing	Market Cost (\$) / Tonne
Prior to 2018	\$35 rebate to NIL cost
2018 - 20	\$60 - \$120
2020 - 21	\$90 - \$150

Source: Contractor prices charged by three suppliers (Contractor names withheld in relation to respective pricing).

Council A	Variables
Annual Tonnes	10,000
2017 Rebate / Tonne	-\$35
2022 Gate Fee / Tonne	\$150
Annual Financial Impact	\$1,850,000

Example Impact shown above.

Below is a graph provided by a leading recycler on the state of commodity prices:



Source: <https://www.thechainsaw.com/australia-recycling-crisis-2018-2>

5. State Target & Cost of Higher Resource Recovery

The NSW Government recently released its Waste and Sustainable Materials Strategy 2041 (Waste Strategy) outlining actions to ensure that the State has the services and infrastructure in place to deal with waste safely, achieve waste recovery and recycling targets, and support a circular economy.

A major driver of cost has and will be the pursuit for higher resource recovery in line with a Circular Economy model, which includes advanced and emerging processing infrastructure and increased source separation.

The introduction of a state mandated Food Organics and Garden Organics (FOGO) system by 2030, will result in Bayside ratepayers potentially contributing an additional \$2 million per annum, based on an optimistic metropolitan capture rate (material successfully re-directed by the residents from the red-lidded bin to FOGO bin) of 50%. This will result in an expected decrease in landfill diversion of approximately 10%, due to a higher recovery currently achieved using an advanced waste mechanical and biological system.

6. Contamination & Resourcing in High Density Areas

A major challenge for local government has been the exponential growth of high density living which is typically associated with higher waste contamination rates.

These recyclables are no longer exported and the contamination rate that was once tolerated in foreign negotiations has now created a local contamination issue and cost.

This requires an increase in resources for monitoring, education and enforcement and can lead to significant tiered contamination penalty charges within processing contracts.

Contamination (%)	Payable by Council
00.0 – 9.99	NIL
10.0 – 19.99	\$30 / Tonne
20.0 and above	Load rejected - additional ~\$100 / Tonne

Source: Provided by a MRF Supplier

An average council generating 10,000 tonnes of recyclables per annum can be charged up to \$300,000 in penalty charges for contamination between 10% and 19.9%. If above this contamination rate, entire loads can be rejected resulting in the council paying a higher disposal fee due to the waste levies equivalent to up to \$1 million per annum.

7. Lack of Waste Infrastructure within the Sydney Metropolitan area

A lack of local infrastructure capacity and increases in proximity to facilities (distance travelled to facilities from local government area centroids) has placed additional pressure on operational costs.

Productivity losses, which result in additional costs, are incurred with additional travel time and time lost due to increased traffic congestion.

A future scarcity of landfill infrastructure is likely to increase the value of the remaining landfill space and increase disposal costs.

8. Natural Disasters

During the recent *natural disasters (severe floods and inclement weather)* many SSROC metropolitan councils were impacted by:

- ▶ the *closure of the rail line* that delivers SSROC waste from Banksmeadow to Tarago (Picton line affected) where the waste is processed,
- ▶ the *EPA restrictions and limits on stockpiling* waste at Transfer Stations,
- ▶ the *EPA restrictions and limitation on transporting* the waste by road to Tarago (7-hour round trip per load) and the *availability of resources at short notice*,
- ▶ the *temporary closure of Waste Transfer Stations* (including Banksmeadow, Clyde, Rockdale, Artarmon, etc.),

- ▶ the **temporary lack of access to the Lucas Heights Landfill** (flood affected and significant queuing delays), and,
- ▶ the **re-direction of waste by road to the Central Coast** (Woy Woy) which was a 4-hour round trip per load.

Bayside is just resolving these temporary domestic waste service delays and the financial impact is expected to cost Council up to \$150,000 due to ‘in-house’ overtime work, hiring additional ‘external’ contractors, and re-directing waste to an available facility paying a higher casual gate fee.

9. Pandemics & Global Supply Chain Issues

The recent global supply chain issues caused by COVID-19 has resulted in **the price of fleet, plant and equipment significantly increasing**, as well as adding considerable time for the build and the delivery.

As an example, Bayside recently tested the market and noticed a sharp rise in the price of waste collection vehicles. It is expected that this **will result in an increase of up to \$880,000** to replace 11 ‘in-house’ vehicles within the next 2-3 years.

This will have a significant impact on future collections contracts.

10. Summary of DWMC External Cost Drivers

Key Cost Drivers	Impact
NSW Metro Waste Levy – ten year period - 2009/10 - 2019/20	↑ 144.2%
BWRF funds returned to councils 2017-21 compared to 2013-2017	↓ 43.3%
% of uncontested funds returned to council from waste levies in 2022	2.6% of \$7M SHORT CHANGED
Increase in recycling processing costs since 2017	↑ up to 528.6%
Councils to transition to a Circular Economy and meet State targets	↑ \$\$\$\$\$
Estimated increase to DWMC to transition to FOGO in high density metro areas (i.e., ratepayer base 65,000)	↑ \$2M - \$2.5M
Recycling contamination fines may increase DWMC (includes rejected loads)	↑ 20% – 66.6%
Lack of waste infrastructure – lost time & productivity, increased cost	↑ \$\$\$
Impact of unforeseen or natural disasters (e.g. Mar/Apr 2022)	↑ \$150k
Increased cost of assets (inflationary), e.g., replacing collection vehicles	↑ >20%

Bayside Council formally submitted feedback on 19 October 2020, that was well received resulting in an invitation by IPART for Bayside Council to participate in a small working group to review, unpack and address any discrepancies or concerns. This included direct one on one conversations.

2.3 IPART Working Group – Discussion Paper & Feedback Analysis

The IPART hosted working group discussions were productive, however, did not receive full consideration as IPART disregarded valid critical concerns raised by working group members, including Bayside Council.

The focus of these discussions was predominately based on:

1. establishing expanded pricing principles (which in principle we agreed that the NSW Office of Local Government (OLG) should undertake), and
2. exploring the need to benchmark or compare council DWM charges on a centralised platform to provide further transparency to ratepayers (which was not supported and explained in detail within this submission).

The overwhelming consensus was that no two councils are the same and that attempting to compare them would be a futile exercise. Creating competition between councils would not affect how each council calculates DWM charges as the services, frequency, capacity, appetite for higher recovery, access to facilities, tendering requirements, density, topography and the manner in which services are provided or offered to each local area differs significantly, inclusive of external factors.

This view is supported by the March 2020 NSW Government Issues Paper, ‘Cleaning Up Our Act: The Future for Waste and Resource Recovery in NSW’, whereby it states that: ***“Waste charges and outcomes can vary by council area, but the link between the two is not always easily comparable across different council areas.”***

IPART attempted to itemise activities/costs that in their view were not direct or indirect (associated with) with DWM and they suggested that these costs be re-directed to general rates, via a ***rebalancing activity or a special rate variation***. Once again, the overwhelming consensus was that the logic was flawed and that local councils would not support this as the charges in question, in our view, are in alignment with the Local Government Act.

In all IPART discussions, there was ***no mention about the imposition of a ‘waste peg’*** or any other similar regulatory control.

Participating working group members focused on the need to expand the current OLG Council Rating and Revenue Raising Manual (January 2007) to assist councils with calculating DWM charges inclusive of direct (DWM services), indirect (associated with providing DWM services), and other reasonable considerations that ensuring stable incremental costing and financial sustainability is assured.

3. IPART Review of DWM Charges – Draft Report - Dec 2021

3.1 Value & Benchmarking

IPART suggests that DWM charges should, *“ensure they reflect the costs of providing the service and best value for ratepayers.”*

Bayside Council and all other participating stakeholders within the IPART working group (formed after IPART’s Discussion Paper) focused on this area. There was and still is a major disconnect from *IPART’s interpretation of value which is focused primarily on cost efficiency - with an intent to compare diverse councils in a price comparison exercise.*

This contrasts with what councils have explained to IPART that *cost-efficiency is only one outcome.* Other outcomes, such as **social and environmental outcomes might compete with cost-efficiency** and therefore require a more nuanced weighing of competing factors.

Benchmarking price works when comparing apples to apples. But *not all councils provide the same services or in the same manner*, thus in many circumstances the benchmarking will be *like comparing apples to oranges*. As an example, it is difficult to compare the DWM charges or easily explain to residents the difference between:

- ▶ **Scenario A:** a resident living in a high-density apartment complex (in Council A) where the bins are wheeled in and out by a Council representative (*valet service*) using resource intense rear loading compaction vehicles normally manned by three people (due to the topography, density and volume of bins stacked next to each other), and
- ▶ **Scenario B:** a resident living in Council B where there are fewer apartments (less density) whereby it is the responsibility of a building representative to wheel bins in and out (*self-service*) which are collected by side loading mechanical arm vehicles manned by only one person (as there is ample available space to present bins in a line side by side).

3.2 DWMC Transparency

IPART suggests that more transparency is required. This is highly disputed, as *councils provide full transparency to residents by publishing their DWM charges each year*, inclusive of annual rise and fall on:

- ▶ their own websites,
- ▶ in their Fees & Charges,
- ▶ as well as the Delivery Program and Operational Plan,
- ▶ after a public consultation & engagement period,
- ▶ which are adopted by Council resolution,
- ▶ and published on the NSW OLG ‘YourCouncil’ platform.

3.3 Benchmarking DWMC

Each year, Bayside conducts an internal exercise by comparing its DWMC to neighbouring SSROC member councils to gauge where it sits in relation to affordability and service composition.

Bayside ***does not use this comparison as a guide to measure success***, but as a broad range of what different councils charge based on their respective services and community expectations.

This range is affected by:

- Type,
- Quality,
- Volume,
- Frequency,
- Community, social and environmental outcomes,
- Localised issue (such as topography, road/access limitations and density),
- Location, (inclusive of proximity and access to waste and recycling facilities), and
- Government strategy, policy and values.

Benchmarking should only be a tool used by internal stakeholders that have a far greater understanding than the public and account for variations between councils.

IPARTs proposal propose to pit councils against each other in a centralised location whereby a resident may make judgment based on DWM price and not necessarily understand differences in the way services may be offered.

This may lead to ***an increase in customer service disputes or complaints leading to community, environmental and political dissatisfaction. Non-financial values can be difficult to address in a benchmarking exercise.***

Due to the vast differences in services and service levels required or provided, benchmarking and reporting would not provide an accurate or reliable measurement to different communities.

There are multiple factors that could influence value to a community.

- ▶ **Example:** Some councils may be required to address legacy issues such as the remediation of contaminated land that were previously utilised as landfill sites for domestic waste disposal, whilst other councils may not have this issue or the associated costs.

A low-cost service does not necessarily equate to best value or the same level of service.

3.4 Definition of Domestic Waste Management Services

Both the Local Government Act and the OLG Manual could be more explicit about what can and cannot be charged and broaden definitions to embrace a circular economy model to: align with State targets and mandates; to other legislation (such as POEO Act); and to incorporate all direct and associated costs with providing best practice waste and resource recovery services.

DWM services, as defined in the Local Government Act, comprise two components:

- ▶ the periodic collection of domestic waste from individual parcels of rateable land (*periodic collection services*); and
- ▶ services associated with periodic collection services (*associated services*).

A court is likely to regard the phrase “services associated with those services” (i.e., *associated with periodic collection services*) as meaning the services that are performed by or on behalf of council that:

- ▶ have some *direct relationship* to the periodic collection services; and
- ▶ are in some sense *subordinate, ancillary or consequential* to the periodic collection services.

Ultimately, we are of the view that the *terminology used in the Local Govt. Act is not capable of precise definition* in the abstract, and it would not be appropriate to propose an interpretation by listing services that are or are not associated services. *Whether or not a service is an associated service will be a question of fact and degree.*

As per the definition of ‘domestic waste management services’ the periodic collection services must be in relation to ‘*domestic waste*’, which according to its definition, is waste that:

- ▶ is ‘*on domestic premises*’ (i.e., the material becomes waste before leaving the domestic premises); and
- ▶ is of a ‘*kind and quantity ordinarily generated on domestic premises*’ (e.g., it would exclude waste that is ordinarily considered to be commercial waste and non-typical domestic waste should not be allocated to DWM charges).

The requirement that the waste must be ‘on’ domestic premises *does not mean that the waste will stop being domestic waste once it leaves the premises.*

Otherwise, it would cease being waste as soon as it was placed in a mobile bin and taken to the kerb for collection.

The better view is that *it is a reference to the location at which the waste is generated*, i.e., the location where the material transforms into waste because, for example, it is discarded, unwanted, surplus, etc.

This means that waste that is generated in a domestic premises, placed in a mobile bin at that premises, and ***then falls from the bin to the street, is still to be considered to be domestic waste.***

IPART incorrectly states in their report that “associated services” of the “periodic collections” cannot be included as DWM charges, such as:

▶ **Street sweeping**

Associated with the clean-up of overflowing domestic bins, domestic bin collection spills, bird and containers for refund domestic bin scavenging.

▶ **Clean-up of illegal dumping**

Associated with early, late, excessive and/or non-compliant bulky items of scheduled and booked clean up services.

▶ **Public place bin collections**

The exponential growth of high density living, and vertical developments has resulted in the loss of traditional domestic spaces (such as a backyard) for residents to host domestic gatherings (such as parties). In lieu of this domestic space, residents are utilising public spaces and the bins at these sites to dispose domestic waste. Note, if that party or gathering was held at home, the material would qualify as domestic waste.

3.5 Calculating DWM Charges

The IPART Report notes that when determining DWM charges, councils are required to ensure that their DWM charges are ***calculated so as not to exceed the reasonable cost to the council of providing DWM services.*** This general proposition reflects s 504(4) of the LGA.

The IPART Report identifies that the approach to allocating costs in determining DWM charges is ***not consistent across councils.*** In particular, IPART notes that:

- ▶ councils are concerned about a ***lack of clarity*** as to what costs can be attributed to DWM charges;
- ▶ councils are ***unclear as to whether specific items*** such as pensioner concessions, street sweeping, public space bins and illegal dumping costs ***should be attributed to DWM*** charges or general rates;
- ▶ the approach taken by councils in making DWM ***charges varied significantly;*** and
- ▶ ***the way councils allocate corporate overheads*** to DWM charges can also lead to variations in prices across councils.

3.6 IPART recommends Pricing Principles

It is clear from the IPART Report that there are *different views as to the correct application of the Local Govt. Act in determining DWM charges*. The lack of clarity as to what is an associated service contributes to the lack consistency across councils. In this context, the *IPART attempts to describe pricing principles that can be applied by councils when determining DWM charges*.

In doing so, IPART expressly acknowledges that it is *unable to make principles that are binding on councils (limited powers)*, and accordingly intends only to recommend that the OLG provide further guidance to councils through the setting of pricing principles, which IPART recommends.

IPART proposes to recommend to the NSW Office of Local Government (OLG) that they provide guidance to councils through pricing principles in their Council Rating and Revenue Raising Manual, on *how to set DWM charges to ensure they reflect the costs of providing the service and best value for ratepayers*. IPART propose pricing principles for inclusion in OLG's Manual.

The IPART Report identifies four pricing principles, which are purported to 'identify the categories of costs that can be included in DWM charges.' In other words, the pricing principles are intended to provide IPART's view on the proper interpretation of the Local Government Act, and s504 in particular – although the report provides little statutory basis for its interpretation.

The pricing principles recommended in the IPART Report are described as being intended to 'identify the categories of costs that can be included in DWM charges.' IPART accepts that the principles, where applied, *might result in a reduction in income from DWM charges*. It notes in this regard that *councils in this position can apply for a special rate variation* to address any revenue shortfall. This is not support by Council.

IPART Pricing Principles

4. Pricing Principle One

DWM Revenue should equal the *efficient incremental cost* of providing the DWM service.

4.1 'Efficient' Incremental Cost

Of the four pricing principles identified by IPART, the first pricing principle is most relevant to Council's identification of the types of costs that can be recovered through DWM charges. It states that:

"Revenue from DWM charges should equal the *efficient incremental cost* of providing the DWM services."

This principle is similar to the position at s 504(3) of the Local Govt. Act. However, instead of adopting the words used in that section of the Local Govt. Act (i.e., the reasonable costs of providing the services), IPART describes the costs recoverable as being the efficient incremental cost of providing the DWM services. *IPART is therefore taking a view that reasonable costs should be understood as, and be limited to, 'efficient incremental costs'.*

IPART does not explain what it means by 'efficient' in this principle, although we understand that to relate to the cost efficiency of the provision of the periodic collection services and associated services. This is supported, in our view, by IPART's comment that an incremental costs approach is important:

"This is particularly important where a council might be considering the most cost-efficient way of providing the service, including evaluating options such as competitively tendering out the services or providing them in-house".

However, as discussed earlier cost-efficiency is only one outcome that might be important to a council when considering the provision of DWM services. Therefore, to the extent that *IPART is suggesting that recovered costs should be limited to only the most cost-efficient services*, we disagree with that position.

A better position is that the costs must be reasonable.

IPART goes on to explain the concept of incremental costs to mean:
"...the additional cost of providing the domestic waste service over and above the cost of providing its general or base functions (e.g., roads, libraries, planning). This is the *costs that would not be incurred by the council if the council no longer undertook its DWM function.*"

In our view, that is an appropriate and reasonable way in which to think about DWM charges and accords with the general statutory principle at s 504(3) that income from DWM charges should not exceed the reasonable costs of providing DWM services.

IPART goes on to describe the DWM services that can be funded from income derived from DWM charges, and states that:

- ▶ ‘Domestic waste is waste generated on domestic premises and includes waste that may be recycled (not including sewage).
- ▶ This expresses IPART’s interpretation of the definition of ‘domestic waste’ under the Local Govt. Act, which ***defines domestic waste as ‘waste on domestic premises’ rather than ‘waste generated on domestic premises’***. However, this view does accord with our understanding of that definition.
- ▶ ‘DWM charges recover only the costs directly related to the service of removing waste from domestic properties. Again, this ***statement is not entirely accurate as it does not specifically include the concept of ‘associated services’***.

However, IPART does ***later in the Report correctly identify that associated services can be allocated to DWM charges***. However, IPART provide a limited list of what they believe associated services can be.

The IPART Report states in this regard: In practice this means ***councils should only levy charges to cover the cost of providing the following services, and services associated with these services:***

- ▶ 1. Landfill waste (normally a red lidded bin),
- ▶ 2. Dry recycling (normally a yellow or blue lidded bin),
- ▶ 3. Green waste and FOGO (normally a green lidded bin),
- ▶ 4. Bulk collections &/or tip vouchers for bulk collections.

What if councils want to provide other domestic waste services?

In describing the categories of costs that are attributable to those services and associated services, IPART notes:

Costs that can reasonably be collected through DWM charges include:

- ▶ direct costs of providing services or contracts for DWM services, including staff on-costs,
- ▶ some council overheads (discussed below),
- ▶ education costs directly related to separating recycling.

IPART states that, “Education costs directly related to sorting of waste and inspections of bins should be included to the extent education helps reduce the level of contamination in recyclables (normally yellow or blue lidded bins) and lowers landfill costs.” ***This limited knowledge of the industry fails to acknowledge the necessary education associated with other services and associated activities, such as:***

- ▶ red-lidded bin service (avoiding problematic items such as asbestos, chemicals, long items that can become an entanglement at processing facilities, and so on),

- ▶ food organic and garden organics (FOGO) service (increasing capture rates, as they are poor in high density metro areas, i.e., A metropolitan council recently claimed only 28% diversion of this FOGO material from their red-lidded bin when most Council have up to 50% FOGO in their red-lidded bins),
- ▶ clean-up service (avoiding problematic items such as, but not limited to, batteries which have been the greatest cause of fires within collection vehicles),
- ▶ other domestic waste services made available to ratepayers (such as scheduled, booked and/or paid clean-up services, direct waste facility drop off discounts, domestic medical sharps programs, council recycling drop off events that increase recovery and/or reduce illegal dumping activities and/or reduce costs to the ratepayer).

In describing the categories of costs that are ***not attributable to those services and associated services***, IPART notes:

“Other functions related to waste which do not involve the periodic collection of domestic waste from households should be funded through general rates. To the extent that the functions do not involve the periodic collection of domestic waste from premises, the following costs should not be collected through DWM charges:

- ▶ street sweeping
- ▶ public place rubbish bins
- ▶ general litter reduction campaigns not related to collecting domestic waste
- ▶ cleaning up illegal dumping.”

This IPART statement was unanimously disputed by participating members of the IPART Working Group in 2020/21 and ignored by IPART.

IPART adopts strange terminology in describing these non-recoverable costs. ***IPART refers to ‘functions’ that do not ‘involve’ the periodic collection of domestic waste as being non-recoverable.***

The word ‘involve’, in our view implies a higher standard than what is set out in the Local Govt. Act. ***The Local Govt. Act merely requires that the costs be reasonable costs for providing the collection services and associated services.***

It is trite to say that the examples listed by IPART do not ***involve*** the periodic collection services, but certain of these examples might be characterised as associated services. Furthermore, ***it is not the costs of exercising a function that are recoverable, but rather the cost of providing services.*** Therefore, the loose terminology employed by IPART makes it difficult to understand the precise intention.

As discussed earlier it is Bayside’s position that the waste material that originates in a domestic capacity, placed in an appropriate bin, makes its way to the ground (spillage), and requires ***clean-up for waste spillages or windblown litter from the periodic collections is an associated service, which includes the use of street sweeping services.***



PHOTO: IPART’s position on what can be charged to DWM incorrectly suggests that a bin collection service can be charged to DWM but the associated cost of the clean-up of that service needs to be charged to general rates. This is not consistent with the Local Govt. Act terminology and our interpretation.

Between July 2019 and February 2022, the Sydney Regional Illegal Dumping (RID) Squad reported that **72.1% of illegal dumping incidences were household (domestic) waste**. This is supported by the March 2020 NSW Government Issues Paper, ‘Cleaning Up Our Act: The Future for Waste and Resource Recovery in NSW’, which anecdotally claims that “Almost 50% of illegally dumped waste is household waste.”

A great deal of the reported illegal dumps investigated within the Bayside local government area are **part of a scheduled clean-up service**, including early presentation, late presentation, or non-compliant presentation. This is **an associated service of the periodic collection service**.



PHOTO: Illegal dump consisting of domestic waste in front of high-density domestic dwellings.

It is not clear from the IPART Report whether the use of the phrase emphasised above: i.e., ‘to the extent that...’, is intended to qualify IPART’s position that the listed costs cannot be recovered through DWM charges, or whether IPART’s view in relation to the non-recovery of those costs is absolute.

For example, the first bullet point deals with street sweeping. If the costs of street sweeping can be **proportioned so that a council is able to allocate a specific portion of the cost of that service** to cleaning up domestic waste that has spilled from bins in the course of the collection process etc, then it could be argued that that proportion of the street

sweeping service involves, or more properly, is associated with, the periodic collection services.

Given the general tenor of the IPART Report, and the fact that none of the ‘non-recoverable’ costs are discussed elsewhere in the IPART Report (and in particular in the worked example at Appendix D) ***it appears that IPART’s view is that these costs are non-recoverable in an absolute sense, and proportional cost allocation is not appropriate.***

If that is in fact IPART’s view, then that absolute approach is not supported by the Local Govt. Act. In our view, ***a proportional costs allocation process is appropriate, provided that the costs are reasonable and are in relation to a service associated with periodic collection services.***

4.2 Proportional DWM Costs

In examples provided by IPART, what is immediately apparent is that ***IPART considers proportional cost allocation to be appropriate.*** Further, several associated services are expressly described, i.e., education, HR and IT, leasing. These are noted as being recoverable on the basis that council would not incur the costs if another agency was providing the DWM function and reflect IPART’s incremental costs principle.

Bayside agree that proportional costs allocation is appropriate. However, ***we do not consider that IPART has provided any proper guidance on what is an associated service*** for the purpose of determining DWM charges.

There may be services where the relationship to periodic collection services is not as clear. In our view, street sweeping services and services relating to illegal dumping fall within this category. For these types of services, Council would only be entitled to recover proportional costs as it is clear that the service is not entirely provided in relation to periodic collection services.

In determining the proportion of costs that can be allocated, Council would need to act reasonably. That is, Council would need to base its determination on all available information. Where there is a legitimate basis on which to attribute a portion of the costs to periodic collection services, we think it would be appropriate to do so. Thus, in relation to street sweeping, where Council could reasonably conclude that x% of waste cleaned up by street sweeping services is attributable to the periodic collection services (i.e., from overflowing or overturned bins, or loss from collection vehicles etc.), then it would be appropriate to allocate x% of the costs of that service to DWM charges on the basis that it is an associated service.

Proportional cost allocation is appropriate. For example, where an employee is to spend all their time performing tasks in relation to DWM services, 100% of the employee costs to council could be allocated to DWM charges. However, where an employee divides time between, DWM services and other matters, the employee costs to be allocated to DWM charges must be proportional to the time performing the DWM service tasks.

5. IPART Pricing Principle Two

Councils should publish details of all the DWM services they provide, the size of the bin, the frequency of collection and the individual charge for each service.

5.1 Transparent DWM Charges

Council does recommend an ‘aggregated user pay’ system based on aggregated services provided, that are reasonably, incrementally and proportionally calculated. IPART’s definition (discussed in Principle 3) of ‘user pays’ is in our view incorrect and not supported.

Bayside provides a Standard Domestic Waste Management Admin Service Fee for:

- ▶ 4 scheduled kerbside household clean-ups;
- ▶ 22 annual community recycling drop off events;
- ▶ Investigation and removal of illegal waste dumping;
- ▶ Associated waste education;
- ▶ Associated waste management.

Bayside provides a Standard Domestic Waste Management Bin Service Charge for:

- ▶ Garbage bin collection, processing and disposal of residual;
- ▶ Recycling bin collection, processing and disposal of contamination;
- ▶ Organic or Green-waste collection, processing and disposal of contamination;
- ▶ Associated costs with delivering these services.

Bayside Council provides advertised paid services for additional services as per additional user pay requirements.

Bayside Council provides transparency to its community by breaking down the components that make up the domestic waste charges. ***These fee and charges are publicly exhibited and available on multiple media platforms.*** Categories that the charges should be broken down into include:

- ▶ Domestic Administration Fee,
- ▶ Domestic Waste Bin Service,
- ▶ Additional Domestic Waste Bin Service,
- ▶ Strata Unit Domestic Waste Bin Service,
- ▶ Non-strata Unit Domestic Waste Bin Service,
- ▶ Additional non-strata Domestic Waste Bin Service,
- ▶ Non-rateable Waste Bin Service,
- ▶ Additional Non-rateable Waste Bin Service,
- ▶ Additional Garbage Bin Service,
- ▶ Additional Recycling Bin Service, and
- ▶ Additional Green Waste Bin Service.

The DWM charge that ratepayers pay for each service should be simple and transparent. There should ideally be a separately identified charge for each service.

However, *the public benefits to benchmark one council against another are not justified or reliable in most cases when direct comparisons cannot be made due to variables* discussed within this submission, in a previous submission and in the IPART working group.

5.2 Difficulties with Council Comparison

IPART proposes to have councils report directly to them, which may be beyond the limit of their powers, to present and compare council DWM charges in a centralised location.

Due to the vast differences in services and service levels required or provided, benchmarking and reporting would not provide an accurate or reliable measurement to different communities.

There are multiple factors that could influence value such as quality, volume, frequency, social and environmental outcome, location, and government policy.

Attempting to benchmark and report the findings to communities could lead to social, environmental, and political dissatisfaction.

Council services can vary significantly which makes it extremely difficult to compare or benchmark DWC between councils, without a detailed analysis of what services are provided in line with community expectations.

Examples of differences include, but is not limited to:

- ▶ Bin systems provided (i.e., 2 bins v 3 bins v 4 bins),
- ▶ Processing and disposal systems (i.e., AWT, MBT, RDF, EfW, FOGO, FO, landfill, co-mingled recycling, separated recycling, tyre recycling, expanded polystyrene recycling, etc.),
- ▶ Frequencies (i.e., 4 scheduled clean up vs 2 scheduled clean ups vs booked clean up services),
- ▶ Volumes (i.e., offer 360L of bin capacity per week across all waste streams v 480L weekly),
- ▶ Items accepted,
- ▶ Topography & vehicles or methods of collection required (i.e., heavy, medium, or small rigid compaction vehicle; flatbed or Pantech tail-lift vehicle; side arm, rear load, front load, and/or hook lift; etc.),
- ▶ Bin presentation (i.e., self-presented in multi units or valet contractor wheel out/wheel in service),
- ▶ Overall landfill diversion rates (current unverified self-reported rates vary significantly).

This is supported by the March 2020 NSW Government Issues Paper, 'Cleaning Up Our Act: The Future for Waste and Resource Recovery in NSW', whereby it states that: *"Waste charges and outcomes can vary by council area, but the link between the two is not always easily comparable across different council areas."*

5.3 Benchmarking Data Verification

The NSW EPA coordinates annual council surveys on the waste and recyclables collected from households, which is the major component of the municipal solid waste (MSW) stream.

The resulting reports that outline the domestic waste generation and recycling performance of local council kerbside, drop-off and clean-up services across NSW do not seem to be verified for accuracy.

The NSW EPA uses the data provided by councils to calculate overall waste generation and resource recovery rates for each local government area (LGA), and to prepare the yearly waste and resource recovery data reports.

The NSW EPA acknowledge that when comparing the figures for LGAs, ***it is important to consider regional variations in consumption patterns, available services, data availability, and the interpretation of survey questions.***

Councils self-report waste data including tonnages and recovery rates to the NSW EPA every year. It is possible that ***some questions in the data survey may be interpreted and therefore reported differently by different councils.*** SSROC have worked with NSW Government bodies to identify potential inconsistencies and harmonise data reporting across different councils to provide more robust data.

In Appendix A, IPART presents recycling rates provided by 2018–19 NSW DPIE WARR data which is to be proposed to be published in a centralised location for community benchmarking). However, ***the data is unverified by NSW DPIE and due to some councils' misinterpretation of the WARR questions, these councils may have provided incorrect or skewed data that the community will be evaluating.***

In 2018/19 due to revocation of the Mixed Waste Organic Outputs (MWOO) exemption it would be mathematically impossible for four (4) councils to achieve the recycling rate posted. Instead of reporting the actual recycling rate, they assumingly misunderstood the question and reported the expected or guaranteed recycling rate as though the MWOO was still processed. In contrast, three (3) other councils sharing the same processing contract, reported the actual recycling rate. ***A lack of data verification can create a significant concern that communities can be accidentally misled and misinformed.***

5.4 Benchmarking Methodology

In Appendix A, IPART attempts to show a significant range (difference of max and min charges) in DWM charges between SSROC member councils of 58%.

However, when the domestic ordinary rates are presented alongside the DWM charges it is evident that a ***rate pegged environment (ordinary rates) proposed by IPART presents a significantly wider range of 107%.***

IPART Domestic Waste Charges Review – Bayside Council

SSROC Council	Average Residential Ordinary Rates 2019/20	Average Domestic Waste Management Charges 2018/19
Council 1	1,050.12	466.00
Council 2	1,349.20	429.00
Council 3	954.91	422.00
Council 4	1,084.40	550.00
Council 5	676.48	464.00
Council 6	1,121.48	470.00
Council 7	1,190.54	582.00
Council 8	1,363.86	667.00
Council 9	1,368.26	475.00
Council 10	1,145.85	594.00
Council 11	1,403.15	574.00
Count	11	11
Average Rates	1,155.30	517.55
Median Rates	1,145.85	475.00
Standard Deviation	218.14	79.46
Max Rates	1,403.15	667.00
Min Rates	676.48	422.00
Variation in Range	107%	58%

Source: Average Residential Ordinary Rates 2019/20 – <https://www.yourcouncil.nsw.gov.au/compare-councils/>

Source: Average Domestic Waste Management Charges 2018/19 – IPART Appendix A

6. Pricing Principle Three

Within a council area, customers that are:

- **Imposing similar costs for a particular service should pay the same DWMC; and**
- **paying the same DWMC for a particular service should get the same level of service**

6.1 IPART's position on 'user-pays'

According to IPART, "DWM charges are the price paid for household waste services on a 'user-pays' basis, while general rates are a tax based on land value."

IPART further concludes that "User-pays charges are reflective of *the cost of providing the service to that customer.*"

6.2 Feedback on IPART's position on 'user-pays'

IPART have used a definition for 'user-pays', which for councils will be unreasonable, impractical, and not sustainable. Councils aggregate the costs of providing services to the resident.

The interpretation provided by IPART for 'user-pays' *implies that the resident should be charged according to use, instead of the availability of the service.*

If the IPART interpretation was to be applied without further context, then when a resident decides to not place their bin out for one week this would suggest that they should not pay. This is not practical, as the base cost (which remains contractually constant) to run that service (such as staff, vehicle costs, etc.) then would be distributed among the remaining services on that day and they would be charged proportionally higher.

This would mean that if there is a bin presentation rate on a particular day of 90%, a base daily collections cost for one collections vehicle servicing 1,200 bins for \$1,440 or \$1.20 per bin lift, will become \$1,440 for 1,080 bins or \$1.33 per bin lift. Thus, on that day, 90% of the residents will be charged an additional 11.1%. This is not a reasonable, practical or a sustainable method of calculating charges that *will constantly change based on service use, instead of the availability of the service.* Council should not be expected to adjust the cost to each resident on a weekly basis. This does not provide an efficient and stable cost model.

Furthermore, under this IPART interpretation if a resident who normally places 13kg of waste in their garbage bin (the Council weekly average weight) and does not place their bin out for a collection service then IPART suggests they should not pay for the disposal or processing (i.e., receive a discount on their annual DWC). At an average price of 25 cents for landfill disposal per kilo or 27 cents for processing per kilo, this would result in a savings of \$3.25 - \$3.51 per bin.

By this same IPART interpretation, it suggests that if that same resident, then crams 2 weeks' worth of waste (26kg) into their bin the following week they should be charged more for the additional disposal or processing. Council is not expected to adjust the cost to each resident on a weekly basis. This does not provide an efficient and stable cost model.

If Council were to move to a 'user-pays' or weight-based system as implied by the IPART interpretation, it **may give rise to manipulation, heightened conflict, and the need for increased Council resourcing to investigate, mediate and resolve disputes** if residents sneak their waste into neighbouring bins to avoid or reduce their charges. This does not provide an efficient and stable cost model.

To provide such a 'user pays' model, council would need to invest considerable capital for assets such as onboard calibrated weighing systems, bin radio frequency identification sensors, onboard vehicle smart technology, real-time cloud-based databases, and additional resources for billing, customer service and compliance. **Council anticipate a fluctuating DWMC increase of 6 – 10% dependent on bin presentation rates.**

IPART's interpretation of 'user-pays' also needs to be unpacked for associated services and costs with providing domestic waste services. As an example, if a resident requires five (5) bin repairs over a period as opposed to a resident that does not require any bin repairs, are they too by IPART's definition to be charged differently?

6.3 Aggregated 'Availability or Intended Use' Charge

Councils apply a practical approach to distribute the entire cost (direct and associated) of domestic waste services equitably across all residents in an aggregated approach based on the availability of the service to all ratepayers.

A standard service defines what the availability or intended use of service is for a suite of waste streams, including: bin capacity provided, frequency of collection, acceptable and non-acceptable material (for each waste stream), acceptable kerbside or onsite presentation, and the days of collection.

Additional services for individual waste streams (garbage, organics, and/or recycling) are also provided **at an aggregated annual service fee (intended availability of use).**

Like having an annual gym membership, the fee is for the annual service (intended availability of use) and not based on frequency/amount of use. Likewise, residents have the ability to freeze or stop the service for a minimum period (e.g., if a resident is demolishing and/or constructing a new dwelling they can cancel the service and fill in a bin application for the service to begin at a later date).

A 'user pay' system based on number of collections or weight will be **too difficult and expensive to monitor, regulate and budget.** This may **lead to unsavoury practices such placing waste in neighbouring bins to avoid or reduce service fees.**

Council does recommend an 'aggregated user pay' system based on aggregated services provided.

6.4 Levels of Service

Regarding IPART's suggestion that councils need to provide the same levels of service to all ratepayers, this statement needs to be unpacked further. In some cases, councils modify the frequency of collections for larger multi-unit dwellings to deal with other important issues such work, health and safety and risk management. By halving the bin capacity provided at these sites, a council can double the frequency of collection in order to reduce the volume of bins presented on a given day that can mitigate pedestrian and/or vehicle issues.

Similarly, a large multi-unit building using an onsite compaction system can double their waste capacity in the bins provided and this needs to be addressed in the waste management plan to account for the correct proportion of bins.

7. Pricing Principle Four

Any capital costs for providing DWM services should be recovered over the life of the asset to minimise price volatility.

7.1 Restricted DWM Reserve

Utilising a 10-Year Restricted DWM Reserve Plan *assists in smoothing the year-to-year cost variances, ensuring some level of stability.*

This includes budgeting for fleet, plant, equipment, minor assets, landfill remediation, and future acquisition of land to provide necessary domestic waste services.

However, changes in policy, strategy, funding and associated levies can affect the price stability.

Costs do not have to be incurred prior to the DWM charge being made or levied.

Reserves in relation to future capital expenditure (such as acquiring land or equipment) would, in our view, be a cost that could be factored into the determination of DWM charges, ***provided that there is reasonable basis on which to assert that those costs will be incurred.***

Example: Council recently acquired a new waste depot from funds strategically planned for in the Restricted Domestic Waste Reserve. If those charges were introduced after the acquisition, the financial impact for ***the interest component would have added over \$20 million over a 30-year period.***

8. A 'benchmark' waste peg

8.1 IPART recommends introduction of a 'Benchmark' Waste Peg

In IPART's Review of Domestic Waste Management Charges it states that "On 13 December 2021, IPART ***decided not to set a limit on annual DWM charges made by local councils for 2022–23***. This decision is in line with our decisions on these charges to date and is not a part of the current review."

This statement is contradicted on pages 17 & 18 with the following respective IPART statements: "We propose to release annually a benchmark waste peg that gives guidance on how much the reasonable costs of providing DWM services have changed over the previous year. ***The proposed benchmark waste peg for 2022–23 is 1.1%***." and "The proposed benchmark waste peg for 2022–23 is 1.1%, which represents the change in the WCI over the year to June 2021 (Appendix B)."

To add further confusion on the matter, in all IPART working group and one on one discussions which Bayside Council took part in, ***IPART was adamant that a waste peg will not be recommended as an option as they saw little merit***. All discussions were focused on pricing principles, a potential rebalancing of some expenditure from DWM to general rates, and the pros and cons of benchmarking DWM charges and the services provided by each council in a centralised location.

8.2 Feedback on proposed 'Benchmark' Waste Peg

On page 2, the IPART statement "To ***protect ratepayers*** and also ***assist councils in setting their own DWM charges*** we propose to publish annually a ***'benchmark' waste peg***" is both ***unsubstantiated and lacks understanding*** of how the waste industry functions.

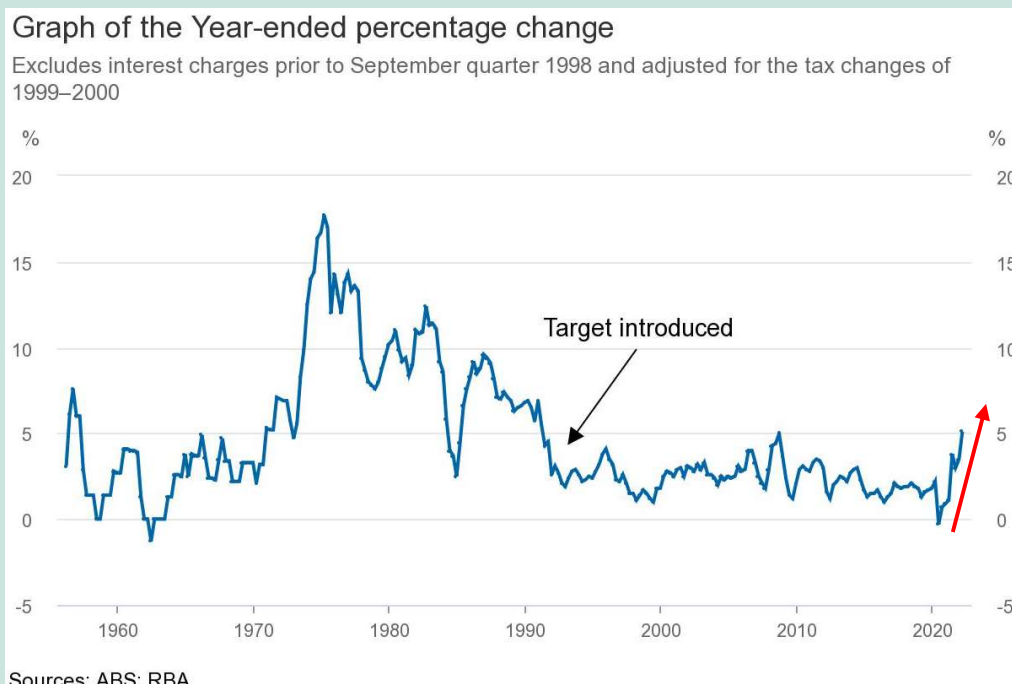
Firstly, our understanding is that ***only 33 ratepayers*** (n=33) in the entire state of NSW (approximately 8,188,651 people according to <https://profile.id.com.au> in 2021) filed a submission in relation to the IPART Discussion Paper on Review of Domestic Waste Charges.

The low submissions (feedback) indicates that ratepayers in general are ok with how councils manage DWM charges and services.

Bayside Council has not noticed community wide concerns in relation to current domestic waste charges or services, with ***76.5% of recently surveyed residents (n=1,402) stating that they were either satisfied or very satisfied*** in a June 2021 community survey.

Secondly, and more importantly, a ***lagging indicator or blunt instrument such as a 'waste peg' looks at back data and is not forward-facing or considered a leading indicator.***

A proposed rate peg of 1.1% for 2022-23 when the Reserve Bank of Australia has posted CPI (<https://www.rba.gov.au/inflation/measures-cpi.html>), in headline terms, of 3.8%, 3%, 3.5% and 5.1% for the last 4 quarters ***raises major concern with the IPART model intended to calculate this proposed 'waste peg'.***



A Reserve Bank of Australia statement, on 5 April 2022, stated that “Inflation has increased in Australia, but it remains lower than in many other countries; in underlying terms, *inflation is 2.6 per cent and in headline terms it is 3.5 per cent. Higher prices for petrol and other commodities will result in a further lift in inflation over coming quarters*, with an updated set of forecasts to be published in May. The main sources of uncertainty relate to the speed of resolution of the various *supply-side issues*, developments in global energy markets and the evolution of *overall labour costs*.” (<https://www.rba.gov.au/media-releases/2022/mr-22-11.html>).

Subsequent to that RBA statement, on the 27 April 2022, the inflation rate was reported as 5.1%.

Council has experienced a significant delay in procuring waste assets such as fleet, plant and equipment which has *increased ongoing maintenance and repair costs* as these ageing assets reach end of life with an extensive lag with receiving replacement assets. This includes having collection vehicles *off the road for major servicing*, resulting in *delayed services* to the community (*loss in productivity*). Additionally, *increases in fuel and labour costs*, as referred to by the RBA, will be *DWM charges cost drivers beyond the proposed IPART 1.1% waste peg*.

Any proposed ‘waste peg’ *has no merit and will not assist* any council because *DWM charges are not arbitrary and are based on the reasonable costs of providing DWM services* inclusive of maintaining a healthy restricted waste reserve to stabilise year to year DWM charges through *incremental pricing over a long term* (10-years).

Thus, the reasonable cost of providing services cannot be influenced by a ‘waste peg’ determined by IPART as it cannot determine accurate rise and fall in contracts, wages, services, materials, plant, fleet, equipment, fuel, and so on.

9. Summary of Submission

9.1 IPART's Proposed Benchmarking

Council believes that **transparency is provided to ratepayers** on the following respective platforms:

- ▶ their own websites,
- ▶ in their Fees & Charges,
- ▶ as well as the Delivery Program and Operational Plan,
- ▶ after a public consultation & engagement period,
- ▶ which are adopted by Council resolution,
- ▶ and published on the NSW OLG 'YourCouncil' platform.

Furthermore, Councils are discussing broadening internal waste data sharing by utilising the Resilient Sydney Platform.

IPARTs proposal propose to pit councils against each other in a centralised location whereby **a resident may make judgment based on DWM price and not necessarily understand differences in the way services may be offered.**

This may lead to an **increase in customer service disputes or complaints leading to community, environmental and political dissatisfaction.** Non-financial values can be difficult to address in a benchmarking exercise.

Due to the vast differences in services and service levels required or provided, **benchmarking and reporting in the manner proposed would not provide an accurate or reliable measurement to different communities.**

9.2 IPART's Proposed 'Waste Peg'

DWM charges are calculated inline with the Local Government Act, to "not exceed the reasonable costs..." and as discussed are subject to a plethora of external and complex cost drivers that **will not factor or align with an arbitrary rate calculated by IPART.**

- ▶ Inconsistent with IPART recommendations in Discussion Paper or Working Group,
- ▶ Inconsistent with Local Government Act definition in calculating DWM,
- ▶ Lagging indicator – not a good predictor of market forces / price changes,
- ▶ Does not account for external factors and cost drivers.

The implementation of an unworkable annual 'Waste Peg' will set councils up for potential failure, due to the limitations of this blunt instrument and **lagging indicator of market forces, factors, and price changes.**

The IPART proposed **1.1% waste peg for 2022/23 does not reflect the current inflation rate of 5.1%** reported by the RBA in the March quarter of 2022.

9.3 IPART ‘Pricing Principles’

Aim: IPART attempts to describe pricing principles for councils to determine DWM charges to provide clarity.

Limitation: IPART expressly acknowledges it is unable to make principles that are binding on councils.

Recommendation: Accordingly, IPART intends to recommend that the OLG provide further guidance to councils through the setting of pricing principles.

Based on IPART’s limited knowledge of domestic waste services and associated services, the limit of their powers to prescribe binding principles, Council agrees that the OLG is best suited to assist councils with providing broader pricing principles and recommendations.

9.3 Advocate Greater Hypothecation of Waste Levies

IPART should **recommend that the State Government provide greater hypothecation of waste levies** to be returned to councils and the industry for waste and recycling activities. This will assist with combatting a lot of the external cost drivers that heavily influence DWM charges, as discussed in this submission.

10. Further Information

Thank you for providing an opportunity to provide feedback.

For further information or discussion, please contact:

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[REDACTED]