



CANBERRA REGION
JOINT ORGANISATION

CRJO Submission to IPART Review of Domestic Waste Management Charges- Draft Report December 2021

Submitted 29 April 2022

Our Region...

Dynamic

Innovative

Connected

...Compelling!

Introduction CRJO

The Canberra Region Joint Organisation (CRJO) represents 10 councils in South-East New South Wales. The NSW member councils are:

- Bega Valley Shire Council
- Eurobodalla Shire Council
- Goulburn Mulwaree Council
- Hilltops Council
- Queanbeyan-Palerang Regional Council
- Snowy Monaro Regional Council
- Snowy Valleys Council
- Upper Lachlan Shire Council
- Wingecarribee Shire Council
- Yass Valley Council

The CRJO has a Waste and Resource Recovery working group that meets at least quarterly to discuss collaborative progress on the Regional Waste Strategy (2018-2023). Canberra Region JO's vision is to be a leader in waste minimisation and resource recovery through collaborative best practice.

The CRJO has prepared this regional submission, all 10 member Councils were consulted and eight Councils (Bega Valley Shire Council, Eurobodalla Shire Council, Goulburn Mulwaree Council, Queanbeyan Palerang Regional Council, Snowy Monaro Regional Council, Snowy Valleys Council, Wingecarribee Shire Council and Yass Valley Council) provided input/feedback and support the submission.

CRJO Response to IPART Review

IPART's Draft Report (2021) recommended adoption of pricing principles and an annual 'benchmark' peg on the DWM charge, starting at 1.1% in 2022/23. IPART proposes to publish an annual report on the extent to which councils' annual DWM charge increased more than the benchmark peg. The Draft Report superseded the approach proposed in IPART's 2020 Discussion Paper, which recommended adoption of pricing principles by councils but instead of a peg the Discussion Paper recommended setting a monitoring, reporting and benchmarking regime.

IPART's pricing principles would be applied via the Council Rating and Revenue Raising Manual to 'rebalance' costs attributed between the DWM charge and general rates, with a one-off variation to councils' general rate base allowed in 2022/23 or 23/24. IPART would monitor 'like for like' councils against their benchmarks and report on outlier councils each year, with outliers triggering a requirement to justify the variation or face potential regulatory response. IPART has verbally indicated that 'doing nothing' was not an option, and that local government must indicate a preference for the proposal in the draft report or an alternative approach.

CRJO has prepared a regional joint submission to the 2021 DWMC Review Draft on behalf of its 10 participating member Councils.

CRJO has engaged with Councils across the region to respond to the Draft to highlight the incredible complexity of the challenges faced by councils and communities in the area of waste management services. As our region transitions from a linear to a circular economy, we are at a crucial point in

time for the waste industry with the need for robust markets to deliver innovation, and new industries into the future which are currently lacking in many regional areas.

There are significant challenges and changes for local government in preparing and transitioning their communities to a new waste paradigm as envisaged by the NSW Government's Waste and Sustainable Materials Strategy 2041 (WaSM). This will require councils to introduce new domestic food and organics collections, amongst a host of other new or enhanced activities, to deliver against the Strategy's objectives and targets. Add to this the challenges of waste export bans commencing, significant fuel price increases and transport costs, and the lasting impacts of bushfire, flood and pandemic and it is clear that this is not the time to further complicate and hamstring councils as they service their communities.

CRJO advises IPART that this submission is a regional response to the IPART Domestic Waste Charges Draft 2021. As a regional group representing 10 Councils in Southern NSW, we feel the responses below are a fair representation of the opinions of Councils in general to the questions posed by IPART. As part of this submission process, CRJO conducted a regional survey to gather information and feedback regarding the IPART review process. See below for feedback in response to questions and statements found in the Draft.

IPART will have the power to regulate individual Councils who cannot justify their increase in DWM charges – the waste peg would be then binding to the Council in order to set the DWM charges. Should IPART have the power to undertake this individual Council regulation if not satisfied ?

Councils strongly disagree that IPART should have the ability to regulate the waste peg and make it binding. Granted IPART should be able to review and advise Councils on their decisions, however, many Councils have individual circumstances that differ completely from adjoining "comparable" Councils. Some of these differing factors include the following:

- The existing rate base in which the Council works upon to deliver DWM services
 - The proportion of unratable land and visitation numbers where waste management charges are not collected but users of this land rely on public services adjacent to the area – Forestry and National Parks
- Landfill charges and fee structures – not any one is the same over 10 LGA's
- Contracted kerbside services and processing charges
- Existing contracts – pre-existing, or new, and the life and terms of such contracts
- Introduction of new services or new and upgraded waste sites
 - Including changes to or new services due to legislative changes such as FOGO and single use plastics ban
- The purchase of new or large fleet items, and the time to budget for them
- Distance transported internally and externally to storage, treatment and disposal activities
- Council population, size, and the service activities it provides
- Geographical location, remoteness, and socio economics

- Cross border matters across NSW, ACT and Vic where formal and informal reciprocal arrangements are in place
- Suitable fund reserves and future works

CRJO recognises the role of IPART regarding the review of DWM charges, and that fairness should above all be adhered to in the process. Councils believe that IPART are not sufficiently equipped to implement such changes when the comparable elements of each Council differ so much. Councils are adequately equipped and in the best position to review its own DWM charges and understand the service levels required to meet strategic and operational needs in line with NSW EPA targets. This difference is especially evident over the CRJO region, which incorporates larger regional centres like Queanbeyan, Goulburn, Batemans Bay, smaller regional towns like Cooma and Young and extensive rural areas with low population densities.

IPART will publish an annual Benchmark Waste Peg (non binding) to give guidance to rate payers and Councils on how much the reasonable cost of providing DWM services should charge year to year. If the charges are increased more than the benchmark waste peg, then the Council will need to explain these reasons. This may see negotiation possibly move into a public forum to provide greater levels of transparency for discussion which has been historically off limits for ratepayers. Should ratepayers have more opportunity to influence the setting of DWM service charges, and should IPART report these explanations in a public forum?

Councils generally agree that this course of action should not be supported. It is currently unclear what form the reports will take, what information will be publicly available, and what pertinent information it will contain. Councils are already obliged to publicly exhibit and seek feedback for their proposed fees and charges annually under the Local Government Act. Furthermore, the LG Act requires that DWM charges reflect the “reasonable cost” of providing the services, although DWM charges differ between member Councils due to a variety of circumstances, Councils are confident that their DWM charges reflect the true cost of delivering waste services relevant to their LGA. These fees and charges are set within an integrated planning and reporting framework, so already provide full disclosure and transparency of the levels of service and the costs to its constituents.

Whilst IPART want greater transparency for all (which is generally supported by all Councils), the general ratepayer does not completely comprehend the costs associated with domestic waste operations, nor understand the long-term financial implications for Council’s to implement effective resource management. If IPART are to publish the reasons for Council charge increases, surely this diminishes the Councils ability to effectively manage its waste services. The information utilised by Councils to determine reasonable costs of delivering domestic waste services, should be treated as commercial in confidence (like any other business). Councillors and ratepayers have adequate access and influence through existing channels including public exhibition of Council policy and financial statements, public forum, Council meetings, public access to information (GIPA), and various committees. Public reporting by IPART of Council’s that raise DWM Charges above the peg risks community backlash and may hinder and alter essential services by eroding social licence and creating delays in introducing innovative or new waste services.

Well informed comparisons between Councils would be very hard to make, as there is so much diversity throughout the CRJO Region. Ratepayers already influence DWM charges via the Council Operational Plans, which are on public exhibition annually for 28 days. Costs that can be benchmarked between Councils and suggesting to the community that all Councils should be comparable, does not present a true reflection of the local conditions. Councils provide highly

variable levels of service to their communities, with many costs impacted by the Council's locality (e.g. proximity to Canberra/Sydney, or other commodity markets). Councils believe the current systems in place are adequate and effective, without additional regulation required by IPART.

Will the additional costs of administering the implications of this proposal be acceptable as a true cost of waste management? This might include preparing detailed reports, responding to questions, etc.

China's National Sword policy is an external cost driver causing waste price increases.

Councils agree this policy has impacted local services with a substantial (estimated to be 50% by some of our Councils) increase in recycling and processing fees which is passed onto Councils. The recycling product market is completely out of the control of Council, and costs must be adjusted to meet the needs of the services they are attached to. It is hopeful that the domestic market for recyclable material will increase with the China Sword ban, however, Councils are still very much at the mercy of large processors to accept their products. These costs are passed on to the ratepayer, and neither IPART, Council, or the ratepayer can readily influence the recycling cost percentage that makes up DWM charges, it is simply passed on.

Councils in general will always support the continuation of kerbside recycling services if affordable. The alternative is sending recyclables to landfill. If recycling services can be accommodated and supported in the DWM charge, then this is a good example of ratepayers already being able to be part of the pricing versus service model. It is hoped that Australia's reliance on shipping its waste overseas diminishes, and as the domestic market develops and stabilises, costs should become more predictable and stabilise. The export ban has caused a greater local supply of waste and recyclable material. Without the additional local processing capacity, this ban has influenced the supply and demand balance. Unfortunately, the CRJO region has limited processing infrastructure in place to support local markets with most of the product sent to Canberra, Sydney or elsewhere for processing. Regardless of export bans, Local Government are still obliged to follow Federal and State directives in the processing and recycling of waste streams to meet NSW EPA driven targets, with or without local alternative processing options. Council also takes on all the risk regarding Councils undertaking their own processing in house.

The lack of new investment in waste infrastructure is an external cost driver causing waste price increases.

Councils agree that when they undertake kerbside recycling, the current market dictates that they will be price takers of gate processing fees. With no local processing markets or options, large processors force this predicament onto Local Government. The lack of waste infrastructure in regional and remote areas greatly inhibits Councils, and its ability to reduce waste to landfill. The cost of freight to transport recovered material across to metropolitan markets can be cost prohibitive for regional Council's and is one of the serious impediments to recycling in regional NSW.

Market concentration (IE, a small number of large players dominate each sector of the domestic waste market) is an external cost driver causing waste price increases.

An important external cost driver is the changing and often global 'materials markets' (e.g. China Sword) that is completely outside Council's control. Waste is a commodity with large fluctuations

and therefore a waste peg cannot be accurately determined. Additionally large players in the material market charge what they like, with Councils left to accept whatever cost is dictated in the processing agreement.

Greater diversity is needed to increase competition with more transparency around reporting regarding profits and overall productivity. Within the current market Councils have limited control in regard to global and national material markets. The tyranny of distance from market, and its impacts it has on Council delivering solid environmental outcomes, cannot be effectively managed by a waste peg.

The Container Deposit Scheme (CDS) is an external cost driver causing waste price increases.

The CDS scheme has indirectly caused price increases, as the value of some materials collected in kerbside recyclables collection has somewhat diminished. Some processing/manufacturing facilities no longer want or accept materials from the kerbside recyclables collection, as they can access a cleaner, less contaminated stream of glass/PET/aluminium cans through the contractor servicing and CDS kiosks. In relation to rating effectively, it has made a difference to the amount of volume of recycling that is now being collected. Whilst the number of bins collected is still the same, the quality of recycling has gone down, and contamination has gone up, and the remaining recyclable materials can be difficult to sell, generate limited revenue or cause additional costs to pay processors to accept the material. These variables then translate as external cost drivers which must be paid for in DWM charges.

Do you think IPART's proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?

Councils do not support the IPART waste peg. The high variance of services different Councils have to offer, combined with geographical variability make it very difficult to benchmark what a comparable Council should be charging for DWM services. All CRJO Council circumstances are quite unique, this waste peg in turn has the potential to make waste services unsustainable. Setting a benchmark waste peg will allow for excessive community influence where the DWM charge exceeds the waste peg.

Credit needs to be allocated to Councils to have the ability to set fair and justified DWM charges according to their individual DWM expenses. If benchmarks are made, then smaller regional Councils are not considered (or not understood), because of either their remoteness, or their services are not comparable to any other Councils, neighbouring or otherwise. A benchmark will be complicated, difficult (impossible) to determine, create confusion, and apprehension for ratepayers.

Additionally, setting a benchmark will consume resources for both IPART and Councils alike to administer, report, and explain why DWM charges exceed the waste peg. The opportunity to compare DWM charges across Councils will result in misleading views creating unnecessary public backlash. The current process allows setting fees and charges via an Operational Plan that allows ratepayer feedback prior to implementation - this system (for the majority) already works well. Current process allows DWM charges to be set proportional to the service levels required to undertake effective resource management budgeted to the Council's rate base.

Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?

Councils agree that the publication of pricing principles by the Office of Local Government (OLG) will provide guidance to councils on how to set DWM charges in their Council. This should offer a solid justification for the setting of DWM charges and negate the need for a separate benchmark waste peg. As stated in the LGNSW Position Paper on DWM Charge Reforms, updated and clearer guidance on what should be included (or excluded) from the DWM charge is the simplest and most efficient way to provide transparency to residents and consistent allocation of costs. The current definitions and guidance on what should be included in the DWM charge are dated and do not reflect modern waste management activities, nor provide for the activities that are likely to be required to enable the transition to a circular economy as per the NSW Government's vision outlined in the WaSM.

These pricing principles will assist and through Council inform ratepayers that it is not just focusing on the daily essential services but creating a holistic approach to the whole of life cycle costs around waste and effective resource management. If utilised as a guide only, this would be useful and help with the methods, and the consistency of setting DWM charges. The Council determinations, even though every council will have different factors resulting in different charges, would assist as it has never been a one size fits all approach.

Would it be helpful to councils if further detailed examples were developed to include in the Office of Local Government's Council Rating and Revenue Raising Manual to assist in implementing the pricing principles?

The development and inclusion of additional detailed examples in the OLG Council Rating and Revenue manual, and their usefulness in implementing pricing principles to assist in process, would depend on the relevance to individual Councils. There are no two Councils within the CRJO region with the same DWM charges, combined services, or budgets. Therefore, comparing Council rates and charges would be inequitable. Although it would assist in the transparency of the process, the implementation would be open to much interpretation.

If a detailed price setting principle was included in the OLG manual, this further development would still not make Councils comparable, nor assist adjoining Councils to adopt set mirrored DWM charges. External factors affect the councils in different ways (e.g. transport costs and market concentrations) so having a common comparison would still not be reasonable as some councils may have sufficient existing fund reserves already, and some may not. This would lead some Councils looking to increase their DWM charges substantially higher than others (those with smaller rate bases). One suggestion raised in our region, and used by some councils, that could help justify DWM increases and make them more transparent is the preparation of a Kerbside Collection Long Term Financial Plan which is updated as required to reflect changes over the years, including Capital expenditures.

All Councils provide different levels of services, not just for kerbside collections but for many other recycling alternatives at the resource recovery facilities. These facilities incur different levels of expenditure for each Council. Their complexities (and their costings) should be kept confidential, and only receive expert consultancy, rather than misaligned information from ratepayer and public interest groups.

Rebalancing vs peg options

The CRJO generally agrees with the issues raised in the LGNSW 'Position Paper on DWM Charge Reforms' which identifies that of the two options contemplated by IPART (peg or rebalancing), and

notwithstanding IPART's limited powers under delegation, rebalancing is the "least worst" option. However our concerns with this proposed approach include:

- Some council waste costs may vary significantly from benchmarked costs due to service level, density, demographics, and timing of service introductions compared to other councils, etc.
- According to IPART's proposed delineation, the costs of managing illegal dumping would be accounted for as an unbooked clean-up and combined with clean-up costs. However, some councils do not know the cost of illegal dumping on its own as trucks generally do not have scales, it is sometimes combined with clean-ups and is often ad-hoc.
- Only those education costs related to waste and recycling can be included in DWM charges, which means the portion of costs of an educator's time dedicated to non-waste issues such as environment and sustainability, and education campaigns not directly related to delivering waste services, could not be included in the DWM charge.
- Where activities are re-allocated to sit under general rates, there is strong concern that the relative priority of those activities will diminish when having to compete with other activities in general rates, e.g. education campaigns to reduce illegal dumping or avoid the generation of waste.
- Councils, especially those in regional and rural areas would express concern if there were any risk to employment of waste staff through the rebalancing approach. Surety of employment is critical at this time and is necessary for the continued delivery of waste services.

IPART does not have the authority to set policy or require the reporting by councils that this option would require to be effective. That these proposals are outside of IPART's remit should be considered alongside the implications of the rebalancing option.