



Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

By electronic submission:

http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

26 April 2022

To Whom It May Concern

RE: Gunnedah Shire Council Position Paper on Domestic Waste Management Charges Reforms - Gunnedah Shire Council Submission - Review of Domestic Waste Management Charges

Stakeholders Comments

1. Do you think our proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?

Response:

Gunnedah Shire Council ('GSC' or 'Council') does not believe that the proposed annual benchmark will assist council in setting their DWM charges for the following reasons;

- *Ever growing service level expectations from the serviced community;*
- *Responding to relevant regulatory compliance requirements which are in a state of constant change, including Environmental Acts and Regulation, Waste Avoidance & Resource Recovery / Waste Levy, Work Health & Safety, Human Resource Management / Industrial Awards. Particularly in preparing and transitioning to the NSW Government's Waste and Sustainable Materials Strategy 2041 (WaSM), WaSM has set targets for councils to moved towards challenging and significant changes particularly in mandating the introduction of Food Organics and Garden Organics (FOGO) collections by 2030.*

This and other similar matters, collectively drive up costs in terms of ensuring organisational compliance, administrative / reporting / auditing obligations.

- *Delivering long term asset maintenance / repair / upgrades / replacements, along with planned delivery of new assets (capital works / waste disposal site remediation, new facilities, new landfill cells and closure costs – as examples) which are related to the delivery of Domestic Waste Management Services (including waste disposal / recycling / reprocessing 'gate fees' – as an example); and*
- *Responding to wider forces which are generally beyond Council's 'ability to influence' including collapsed international recycling / recovered materials markets and waste export bans, significant fuel price increases, increase in transport costs, climatic disaster's such as floods and the pandemic. These impacts, which Councils are not in a position to absorb impacts without incurring additional costs.*

GSC aims to at all times to keep necessary DWM charges increases in line with the community's propensity to pay and sees no alternate but to pass through these increases even if that results in the charges increasing at a rate beyond the annually varied 'rate peg' percentage.

GSC is of a strong view that there should be a focus on supporting councils to address the fundamental source of any concerns rather than introducing further regulatory and reporting measures such as a benchmark or peg and at no extra cost.

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

Response:

GSC generally supports the concept and intent of pricing principles and would in due course welcome updated, realistic and consider guidance on how DWM charges are summarily derived and is supporting of OLG / IPART efforts to very clearly articulate pricing / derivation principles (in sufficient detail to be meaningful and remove the need for interpretation, such that councils, external auditors, OLG and IPART are equally clear on the methodologies to be used. This will further improve transparency and increase certainty that they are being consistently applied.

GSC is constantly seeking out the best way to deliver the community's expected services in the most efficient way, so as to minimise costs to ratepayers and has prepared a methodology for justification of its DWM charges, including allocation of a reasonable value for organisational overheads that are applicable to the administration/management of the DWM services.

It is understood that councils may have a different view on the value of overheads that might be applied when calculating the DWM charges - due to the general vaguity of the Office of Local Government's Council Rating and Revenue Raising Manual.

GSC supports IPART's suggestion of further detailed examples being included in the Council Rating and Revenue Raising Manual to assist in implementing the pricing principles. Examples covering WaSM priorities such as FOGO services (for example) would be useful. Note that the examples should serve to demonstrate how the principles are applied, and not necessarily provide the exact formula for all services as these will vary between councils.

Principle One.

"DWM revenue should equal the efficient incremental cost of providing the DWM service"

Response:

The intent of this principle is accepted, however it is the definition of DWM service that requires further detail and consideration. The current definitions and guidance provided by the Local Government Act and the Council Rating and Revenue Raising Manual are dated and do not reflect modern waste management and they do not reflect the Government's current policy direction of converting to a circular economy.

It is recommended that once updated, the definitions and guidance on the DWM charge be reviewed at least every 5 years to maintain currency and reflect real-world conditions.

By updating the definitions and guidance will provide a more definitive list of what costs should be attributed to the DWM charge vs general rates, importantly that local government drives formulation of the list as they are most familiar with the day to day activities in this area.

GSC recommends the following activities should also be included:

- *illegal dumping clean up costs and impacts of natural disaster such as floods and bushfire, particularly where the material predominantly arises from residential sources and disaster relief funding (floods) is unavailable or eligible to councils.*
- *Broader waste avoidance education, not just disposal and recycling education, of residents (in line with the waste hierarchy such as reusable coffee cup programs).*
- *Operational and ongoing costs of a Community Recycling Centre, being a service provided to residents.*
- *Drop off events for hazardous waste, chemicals, e-waste and other future product stewardship scheme items.*
- *Collection and recycling of materials from residents, including soft plastics, textiles, mattresses, tyres and solar PV panels.*

The above list provides broader activities that should be included; however there are several other costs that should be included in the DWM charge, for example, if we look specifically at rolling out a FOGO collection:

- *Contract development and variations*
- *Trials and pilots*
- *Additional staff to support a new service*
- *Replacement bins and caddies (extra to initial infrastructure provided)*
- *MUD upgrades and fit outs to allow for food collection*
- *Audits and evaluation*
- *Advertising and media*
- *Consultant costs in designing, consulting community and implementation*
- *Contamination fees and decontamination costs*
- *Implementation of smart technology such as RFID which is proven to reduce contamination issues*
- *Provision for new services or activities that will be required to implement WaSM / transition to a circular economy*
- *Transport of product if a regional approach is taken.*

We also reiterate that the guidance of what is / is not included in the DWM charge should be updated regularly to ensure it keeps pace with modern approaches to waste management services, however they are defined.

Finally, cost recovery is a risk to the early adoption of services, there are increasingly instances where councils need to fund research and investigation into new waste collection programs services options. These might include changes to waste delivery models and/or the provision of collections covering emerging wastes, such as where councils are investigating how to implement the most effective form of food or food and garden organics collections.

Principle Two

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

Response:

This is supported in principle, however GSC already publishes information regarding the waste services we provide and the relevant charges as part of Council’s Fees and Charges. This information is readily available in Councils Operational Plan and on Council website and audited by Audit Office of NSW. This information is usually itemised to outline bin size, frequency of collection, plus charges for additional services. Furthermore Council reporting processing mechanism are through Integrated Planning and Reporting (IP&R), memberships with Namoi Joint Organisation and through Northern Inland Regional Waste (voluntary waste group which GSC is a member).

Publishing a ‘price per bin’ is not straightforward due to the complex mix of services available to meet varying community needs. Our Council offers a mix of bin sizes depending on household size and needs. There are certain overheads which would mean that a fortnightly collection will never cost half that of a weekly collection. Furthermore, having a smaller bin does not necessarily reduce collection costs. Publishing this type of data could cause confusion and concern as costs are not always directly related to bin size and/or collection frequency.

Principle three

“ Within a council area, customers that are:

- imposing similar costs for a particular service should pay the same DWM charge*
- paying the same DWM charge for a particular service should receive the same level of service”.*

Response:

The intent of this principle is acknowledged and supported – same price for the same service. No two councils are exactly the same and therefore the service cost is likely to vary from Council to Council / Contract to Contract, access to infrastructure and access to service providers, and therefore costs between councils will always vary.

Despite the use of the Office Local Government (OLG) groupings there are still concerns around comparing ‘apples’ with ‘oranges’ as OLG groupings differ to Commonwealth council groupings particularly if a council is in a levy paying area.

It is acknowledged that in regional and rural areas, councils will have the capacity to vary the cost-of-service delivery where the same service is delivered in different communities. These costs will often reflect variations in infrastructure and transportation costs as well as the time taken to service remote communities (Service density / numbers of services per kilometre travelled). In addition processing / disposal methodologies associated with collected waste(s) recyclables / recoverables. Keeping in mind materials ownership and risk sharing (Market failures, Container Deposit Refund Sharing etc) and the Waste Levy (variable based on location) or not applicable for some areas (like GSC) is important.

Whilst councils would consult through the IP&R process around service delivery there are many other factors including WaSM mandates and waste/emissions targets that will directly impact councils’ service delivery. In the case of the FOGO mandate, communities may not immediately support the service due to increased cost, additionally feasibility studies also need to be conducted by all Councils that don’t have FOGO currently in place, to determine if it is feasible and practical to deliver by 2030. Under this principle if councils provide the service that their community expects and are obligated to implement as per WaSM, councils may be in the situation where some/many of the expected services are not covered by the Domestic Management Waste Charge (DWMC) and are forced to cover these through general rates.

Principle four

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

Response:

The intent of this principle is acknowledged and accepted. Wherever possible the capital costs can be spread over multiple years, however, there may be circumstances where there is an imperative to introduce the service relatively quickly and in shorter timeframe than the asset’s life (eg FOGO rollout.)

Council strongly supports the intergenerational equity concept as capital costs should continue to be recovered and held in reserve based on forward planning as opposed to relying on borrowings to fund expenditure and recover costs post service implementation, such as in the case of future waste disposal facilities. The interest on financing waste facilities and land acquisition imposes a significant extra financial burden on ratepayers and does not represent the most efficient costs.

There is some concern around the management of waste reserves under the proposed ‘peg’. Councils require reserves for many things, the common examples being the remediation of landfill and provisioning for new landfill cells and environmental rehabilitation requirements due to changes in legislation. However, in the recent floods (as an example) some councils may need to fund the replacement of large quantities of bins over a short timeframe and as such not all expenditure from reserves are long term investments and councils can often have competing needs, all requiring reserves.

3. 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?

Response:

Gunnedah Shire Council believes this has been addressed in point 2.

In conclusion GSC strongly recommends that IPART does not introduce a DWMC peg or any other benchmark but work with local government to update the definitions and guidance relating to the DWM charge. In addition work with councils that are not complying with the pricing principles and to leave complying councils whom have already strong practices in place with internal auditing, effective reporting and effective procurement processes to continue delivering quality services that meet the needs and service preferences of individual communities.

If you have any questions, please contact Council's Manager Waste, Sheridan Cameron on [REDACTED] or via council@infogunnedah.com.au.

Yours faithfully

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MANAGER WASTE

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