

Submission on the draft report of the Independent Pricing and  
Regulatory Tribunal of NSW (IPART) review of the Domestic  
Waste Management Charge

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CITY OF CANTERBURY BANKSTOWN

29 APRIL 2022

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## Summary

1. Council strongly opposes the approach proposed in IPART's draft report in December 2021 of voluntary indicative peg of 1.1% in 2022/23.
2. Council opposes the approach proposed in IPART's discussion paper August 2020 of Benchmarking and Rebalancing.
3. Council supports that updates are urgently required on the definitions of 'waste' and 'domestic waste management services' in the Local Government Act and the Office of Local Government's (OLG) *Council Rating and Revenue Raising Manual*. This needs to occur prior to any form of regulation to the Domestic Waste Management Charge (DWMC). Neither the voluntary peg nor the 'benchmarking & rebalancing' fully address the needs of councils to provide all the services and functions required to minimise landfill and maximise resource recovery from waste generated by individual parcels of rateable land.
4. Council calls for IPART to work with relevant authorities such as OLG and the NSW Minister for Local Government to ensure that these definitions in the Local Government Act are modernised to be fit for purpose. This is to ensure it is aligned with the objectives of the WaSM, which aims to transition NSW to a circular economy, and the Waste Avoidance and Resource Recovery (WARR) Act, which prioritises material efficiency and resource management based on the waste hierarchy according to the highest order of use.
5. Given a choice between benchmarking & rebalancing and the voluntary peg, we would prefer benchmarking & rebalancing . This is only on the condition that all domestic waste management services and functions necessary for minimising landfill and maximising resource recovery from domestic waste, including non-kerbside services such as community recycling centres (CRCs) and drop-off events for problematic, hazardous, and other materials such as e-waste and textiles, along with a portion of illegal dumping from domestic bulky waste, that are not readily or cost-effectively manageable through kerbside services, are stipulated in the pricing principles published in the OLG Manual. Shifting costs from one ledger to another does not allow for pricing signals to reflect the true cost of waste services.
6. Council supports the development of a specific DWM service reporting section in the Local Government Cost Index (LGCI) survey.
7. Council strongly advocates for clear guidance that allows councils to generate funds for future use (save up) and utilise the waste reserve to provide for reasonable future obligations. For example, climate events and other emergencies, rapid market-based cost increases, market risks, capital expenditures for planned services such as FOGO or planned waste-related infrastructure such as landfill closures, CRCs, transfer stations or land for waste infrastructure.

## Introduction

The City of Canterbury Bankstown Council supports clear, efficient, and transparent DWMC and pricing principles, however, we strongly oppose any measure that inhibits councils' ability to deliver the range of high-quality domestic waste management services expected by the community, and that are necessary to meet waste and resource recovery targets set by State and Federal Governments.

The endemic financial challenges faced by local government are based in its constraints for revenue-raising. Individual councils have a widely differing ability to raise revenue based on location, population size, rate base and the ability to levy user charges. Yet, the expectation of the average citizen continually increases. Further, the obligations and liabilities faced by Councils continue to escalate with the added pressure to meet demands for intergenerational equity and meeting sustainable development goals.

IPART initially released a proposed approach in August 2020 that considered Benchmarking and Rebalancing the DWMC with General Rates. After consultation IPART then released a second approach of rate pegging the DWMC. These are significantly different approaches, neither of which are suitable nor appropriate for local government to manage the wide and ever-increasing range of services expected and wanted from local communities.

Council is concerned that the peg, while voluntary will move towards a mandated rate peg. This will create dysfunctional waste services with a clear lack of ability to progress towards meeting state and federal government priority waste targets and net zero legislative requirements. Further, local government require the flexibility to innovate and respond to their local communities needs- a peg will not allow us to do that. As reported through Local Government Professionals Australia; Local governments already have uneven burden of responsibility for maintaining local communities' essential services<sup>1</sup> and any further restrictions on these services through a rate pegging mechanism will only further erode Council's capacity to provide efficient waste services.

The benchmarking, rebalancing and reporting approach will create negative public perceptions against council in the course of ~~delivering our essential service to~~ community. Council already undertakes public consultation and reports back to the community in many ways. We are opposed to any additional public reporting that may create perceived inequities where the context and the political impacts are not fully understood. Local Government NSW already acknowledges that "Cost shifting is one of the most significant problems faced by Councils in NSW....undermines the financial sustainability of local governments."<sup>2</sup> Additional shifting of costs within council will not help this situation.

Both approaches are lacking in any formal guidance and details. It is hard for Councils to make an informed decision between two bad choices when there is a serious lack of details about what is considered to be included in a modern domestic waste service and it is unknown how IPART will regulate those council that have to go above the peg or beyond the benchmark.

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<sup>1</sup> [https://treasury.gov.au/sites/default/files/2020-09/115786\\_LOCAL\\_GOVERNMENT\\_PROFESSIONALS\\_AUSTRALIA.pdf](https://treasury.gov.au/sites/default/files/2020-09/115786_LOCAL_GOVERNMENT_PROFESSIONALS_AUSTRALIA.pdf)

<sup>2</sup> [https://www.lgsw.org.au/common/Uploaded%20files/PDF/Cost\\_Shifting\\_Summary\\_2018.pdf](https://www.lgsw.org.au/common/Uploaded%20files/PDF/Cost_Shifting_Summary_2018.pdf)

## Issues for Stakeholder comment

### 1. Do you think our proposed annual ‘benchmark’ waste peg will assist councils in setting their DWMC?

The City of Canterbury Bankstown does not support any approach to peg the DWMC. A peg will not assist council in setting their DWMC. A peg – voluntary or otherwise – would over time deny councils a sufficiently flexible revenue-raising mechanism to cover rising waste and resource management costs and to respond to NSW Government policy mandates, and lead to significant funding shortfalls in delivering essential services. In addition, a peg would not solve inconsistent cost allocations nor the imbalance between councils with higher and lower DWMC.

There are many factors affecting Councils ability to meet a peg benchmark. Many of these are outside of Councils control, such as listed below.

#### **A) External Factors**

Councils domestic waste service is impacted by many external factors, beyond Council’s control. These external factors can have huge effects on council’s cost, and they often can not be planned for nor predicted. Some of these are listed below.

- NSW EPA has mandated FOGO services for all NSW Councils. The cost of implementing this service is expected to cost an additional 15% in the first year. Studies undertaken by SSROC indicate that Council will need an additional \$3-4 million to implement FOGO.
- Increasing incidents of natural disasters and the increased tipping of residential waste from events. NSW EPA found that “The 2019–20 bushfire season in NSW impacted 50 Local Government Areas and resulted in significant clean-up and disposal of bushfire generated waste. Predominantly mixed waste and asbestos contaminated waste were disposed to landfills. The additional tonnes of bushfire generated waste disposed in the Metropolitan and Regional levy area represented 2% and 3% of total disposal for FY2019–20, respectively.”<sup>3</sup> This issues has risen again with the recent floods of Sydney and NSW.
- The NSW EPA also found that “The COVID-19 pandemic coincided with March, April, May and June of FY2019-20. Factors such as people spending more time at home during the pandemic reflected a slight upward trend in municipal solid waste (MSW) disposed”.<sup>4</sup> These incidents all lead to an unpredicted increase in tipping fees and costs spent on collection and disposal contracts. Further, many in the waste sector are facing issues was labour shortages and increase in wages, due to COVID 19 and lack of overseas workers,<sup>5</sup> which has pushed up costs.
- The recent floods impacted waste infrastructure, namely the rail line from Sydney to Woodlawn. The flooding and land slides of this rail link meant that the majority of Councils were unable to take their waste to their contracted facility. With no waste leaving Sydney it meant that waste could not be tipped at any of the Transfer stations once they reached capacity. The majority of Sydney Councils had to transport their waste to facilities on the Central Coast. This increased transport time, use of fuel, additional and increased tipping fees and in most council areas, a delay to other kerbside services, leading to a spike in costs.
- NSW waste levy has increased by 148% over the last 10 years, while Waste Less Recycle More funding has decreased by 43% over the last 8 years. From next financial year, virtually all non-contestable funding previously available to levy-paying councils for resource recovery

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<sup>3</sup> <https://www.epa.nsw.gov.au/your-environment/waste/waste-overview/waste-performance-data>

<sup>4</sup> <https://www.epa.nsw.gov.au/your-environment/waste/waste-overview/waste-performance-data>

<sup>5</sup> [Labour shortages start to bite - Inside Waste](#)

programs through the Better Waste and Recycling Fund will disappear as the NSW Government shifts to an unplannable, project-based contestable funding model even as the waste levy continues to rise. These programs and services need to be funded from the DWMC.

- China Sword. China previously accepted more than 30 million tonnes of recyclables from across the world of which, Australia sent 1.25 million tonnes of recyclable materials to China in 2016/2017<sup>6</sup>. China commenced its program 'China Sword' in March 2018 (this followed the 2013 program named 'Green Fence'. The next program was called 'Blue Sky') to boost its internal recycling industry and reduce the amount of contaminated waste it received. To do this, China, increased restriction on imports by decreasing the contamination level accepted in the recyclable materials to 0.5%. This led to serious oversupply of material in the Australian market and drop in price, which led to many councils with increased costs and lack of disposal options.
- COAG Export bans have placed increased pressure on local markets to come up with solutions, which has led to increased costs to councils.
- New contracts – Collection contract traditionally extend for 10 years. During that time technology improves, legislation changes, and markets shift which all lead to increase in costs for any new contract. These increase in costs need to be planned for over the life of the contract so can be funded by the next contract.
- Limited competition in the waste industry. Limited competition in the waste and resource recovery sector undercuts the ability to provide necessary and affordable services for our residents. The current lack of competition in this sector, especially for recycling services, presents a critical challenge for us as we are almost entirely reliant on a small number of suppliers that can offer sufficient scale and access to transfer stations, material recovery facilities (MRFs), and processing facilities. Many Councils previously received a rebate for their recyclables from the MRFs as the markets were profitable. However, due to changes in the overseas market from China Sword, Councils are no longer in the position to receive rebates from their recyclables. Due to the limited competition, especially in the recycling MRF area, some of our recent contracts have increased by over 200% per tonne.
- Sale of state-owned assets and loss of waste infrastructure. Since the sale of the state-owned corporation WSN Environmental Solutions in 2010, the majority of waste infrastructure in the Greater Sydney area is ~~now owned and operated by~~ the private sector. Limited competition undermines regional resilience through centralised control of services and infrastructure; reduced innovation; threatens jobs and reduces employment opportunities through centralisation.
- Local government award increases are set to increase by 2.0% over the next two years.<sup>7</sup>
- Federal government legislative superannuation increases continue over the next several years.
- Increased waste targets and changes in policy leading towards a circular economy. With the current NSW municipal solid waste recycling rate at 42% (as at FY2019) and diversion rate at 65% (as at FY2019),<sup>8</sup> reaching the NSW Government's 10-year target of 80% diversion will require a significant departure from business as usual. As Sydney putrescible landfills are due to be full by 2036 at the current trajectory (not including massive volumes of waste generated during increasingly frequent climate disasters) and non-putrescible landfills due to be full by 2028, energy from waste will play a critical role. As will innovations for recovering soft plastics, textiles, illegally dumped materials, and bulky waste, which the market currently offers few reliable, cost-effective, and scalable options for. While it is hoped that pricing for energy from

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<sup>6</sup> [www.epa.nsw.gov.au/yourenvironment/recyclign-an-reuse](http://www.epa.nsw.gov.au/yourenvironment/recyclign-an-reuse)

<sup>7</sup> [https://www.lgnsw.org.au/Public/Public/News/Articles/2020-media-releases/0702\\_2020\\_LG\\_award\\_economically\\_responsible.aspx](https://www.lgnsw.org.au/Public/Public/News/Articles/2020-media-releases/0702_2020_LG_award_economically_responsible.aspx)

<sup>8</sup> [https://www.dpie.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0006/385683/NSW-Waste-and-Sustainable-Materials-Strategy-2041.pdf](https://www.dpie.nsw.gov.au/__data/assets/pdf_file/0006/385683/NSW-Waste-and-Sustainable-Materials-Strategy-2041.pdf)

waste solutions will compete with the cost of landfill, this is far from assured and presents a major cost risk. Soft plastics, textiles, illegally dumped materials, and bulky waste will all require increased investment in education, market solutions, and associated risks. For Council to meet the targets set in the *NSW Waste and Sustainable Materials Strategy*, it will require us to undertake activities beyond what IPART (and the definitions in the Local Government Act and Rating Manual) currently considers 'domestic waste management' to be.

- RBA reports that fuel price increases by 32% during 2021 – the largest annual increase since 1990.<sup>9</sup> The price of oil has since increased significantly since the Russian invasion of Ukraine.<sup>10</sup> This also affects pricing on a huge array of other goods and services that councils procure as part of waste services to the community.
- Inflation continues to increase greater than 1.1%. The Reserve Banks reported "inflation was much stronger in the December quarter of 2021 than was expected... The CPI increase 1.3% in the December quarter and 3.5% over the year."<sup>11</sup>

Rising costs due to factors out of councils' control, such as those above, require a sufficiently flexible revenue raising mechanism and clear pricing principles that can accommodate resident expectations and significant year-to-year variability in the market.

### ***B) Council's budget looking forward are not based on previous costs***

Council set their DWMC based on the actual and expected incremental costs of providing waste management services, based on community expectations, costs of contracts, infrastructure, community education, operational requirements, and related overheads, i.e.– not based on out-dated data and a basket of lagging, indicators with limited relevance to councils' specific needs and service levels. Councils' specific issues with using old rearward looking data is:

- The cost index is rearward looking (sometimes up to 18 months old) and provides no ability to take account of current and forecast changes over the coming twelve months (eg current high inflation environment or contract changes). Further it does not allow to plan for unexpected changes, as detailed in part (a) above.
- IPART had 52% of councils respond to the survey on LGCI and used that for average costs – this has given a distort result as not all councils responded.
- Using old data does not show current nor forecast impacts to the service, especially impacts outside Council's control.
- Utilisation of cost indices rather than actual costs (eg. Public Sector Wage Index rather than Award increases)
- Collection contracts are for approximately 10 years and have inbuilt price rises that are not based on past prices.
- Data is generic and from a small group. The data is industry wide and does not adequately reflect variances in costs for individual councils', such as specific council demographics or

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<https://www.rba.gov.au/publications/smp/2022/feb/inflation.html#:~:text=The%20headline%20Consumer%20Price%20Index,time%20of%20the%20November%20Statement%20>

<sup>10</sup> [https://www.abc.net.au/news/2022-03-19/fuel-prices-unaffordable-petrol-coffee-ruined-holiday-plans/100918164?utm\\_campaign=abc\\_news\\_web&utm\\_content=link&utm\\_medium=content\\_shared&utm\\_source=abc\\_news\\_web](https://www.abc.net.au/news/2022-03-19/fuel-prices-unaffordable-petrol-coffee-ruined-holiday-plans/100918164?utm_campaign=abc_news_web&utm_content=link&utm_medium=content_shared&utm_source=abc_news_web)

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<https://www.rba.gov.au/publications/smp/2022/feb/inflation.html#:~:text=The%20headline%20Consumer%20Price%20Index,time%20of%20the%20November%20Statement%20>

portion of Unit blocks (MUDS%) within an LGA or individual council distance to transfer stations.

- It does not provide scope for phased introduction of new services (eg. FOGO). For example, CBCity is planning a three-year education program to prepare our community for FOGO.

### ***C) Contracts***

Waste contracts are highly regulated by local government procurement rules and legislation. These take considerable time and resources to prepare including often legal and probity advice. Recently there is an industry trend where Councils are taking on greater risk within a contract, with the aim of ensuring the best price possible for their communities.

This can lead to significant cost increases and differences between councils DWMC, along with the following contract aspects:

- Set rise and fall formular for 10yrs , which are CPI based and often include calculations for fuel and labour wages. These also have quarterly changes, which can lead to quarterly prices changes across a 10-year contract.
- Population increases lead to service increases and services such as bulky waste which are on a per service cost, lead to significant increase over a 10-year period.
- Bin repairs/ missed services may or may not be included into a contractor performed by in-house staff.
- Amount of risk taken on by individual council or passed onto the contractor.
- Length of contract can have significant price differences, along with technology and infrastructure engaged.
- Separation of materials, such as through the bulky waste clean-up service and the number of passes a truck does to separate out recyclable items to meet waste recycling targets.
- Depot ownership and location / land ownership.
- Location of LGA to freight lines/ road transport/ traffic/ transfer station locations.

One of the most significant issues for many tenders is the limited competition in the waste and resource recovery sector, which undercuts councils' ability to provide necessary and affordable services for their residents. The current lack of competition in this sector, especially for recycling services, presents a critical challenge for councils as they are almost entirely reliant on the small number of suppliers that can offer sufficient scale and access to transfer stations, material recovery facilities (MRFs), and processing facilities.

### ***D) Individual demographics of LGA***

The City of Canterbury Bankstown has one of the largest populations at 401,017 residents in 2022 and an expected growth rate of 15% by 2036 to 463,311 residents.<sup>12</sup> 44% of our residents were born overseas and 60% speak another language, as can be seen from the graph below.

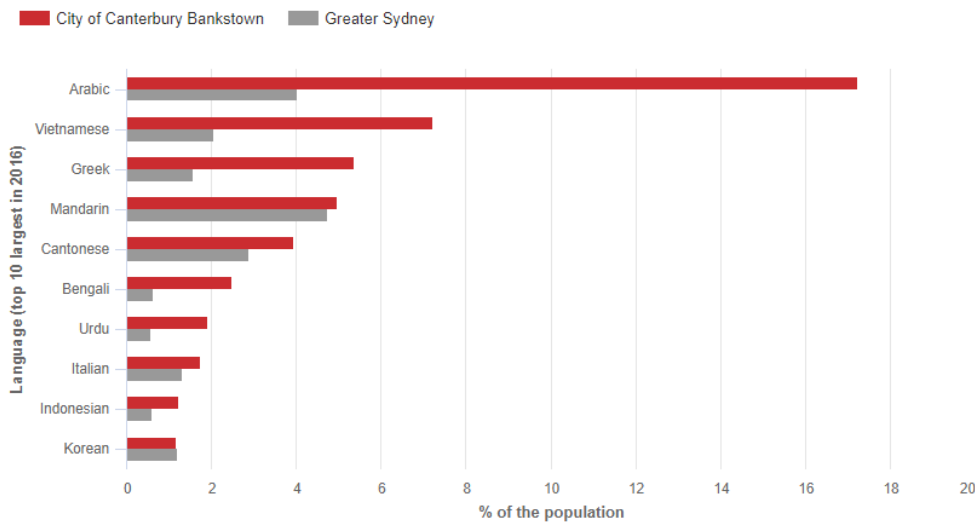
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<sup>12</sup> <https://forecast.id.com.au/canterbury-bankstown>



## Language spoken at home, 2016

export 



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual residence data). Compiled and presented in profile.id by id (informed decisions).

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Council currently has approximately 43% of dwellings which are medium or high density. With the predicted in-filling development, intensification along the rial line and redevelopment of community housing, high density living will be increasing across in the city. Along with this growth it is expected that our Local Government Area will continue to have a higher than Greater Sydney average of rented accommodation.

With information collected on illegal dumping in 2019, we overlaid demographic data. Hot spot suburbs are characterised by factors like: aging housing stock, higher concentrations of small to medium multi-unit dwellings, higher rates of tenants than owners, high turnover of tenancy, high social disadvantage and language barriers.

This information has allowed us to target educational materials and helped Council realise the importance of translated materials for new migrant areas. It also helped develop a greater understanding of waste management behaviours in our suburbs and we now understand that continued education programs are needed in areas with high turnover of tenants.

Research found that the majority of illegal dumping is unbooked, domestic waste, clean-up material and over 70% of illegal dumping is actually domestic waste directly from the household. Without the research and trial of programs we would not be able to target our education programs to suit our demographics and support essential waste services to meet the needs of our community and reach the Clean City aspiration of the community as stated in our Community Strategic Plan.

### ***E) SSROC Modelling***

The City of Canterbury Bankstown participated in SSROC DWMC modelling of a rate peg.

The aims were to:

<sup>13</sup> <https://profile.id.com.au/canterbury-bankstown/language>

-Discuss the pricing principal implications and potential feasibility of implementing. It was found that the IPART pricing principles do not cover the wide range of services that a modern-day domestic waste service is expected to include. Our modelling was adjusted to show an option for modern-day domestic waste service and the actual costs to provide it. Modern day waste services meet community expectation, legislative and regulative requirements and allow council to innovate and participate in a circular economy.

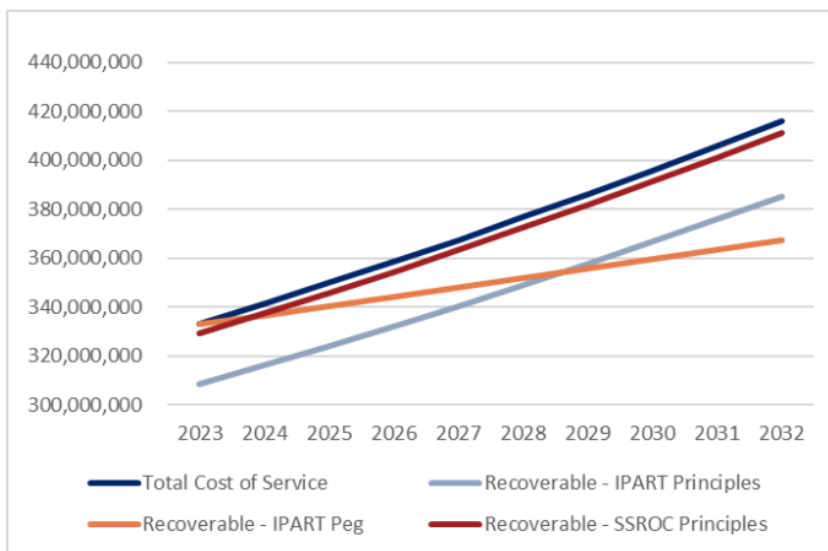
-Understand the potential financial impacts of IPART’s proposal.

Three scenarios were modelled:

1. DWMC pegged at 1.1% per annum (assuming no rebalancing).
2. DWMC revenue and cost allocations compliant with IPART principles (assuming only that portion of waste-related costs for domestic kerbside services, excluding CRCs, drop-off events, illegal dumping, street sweeping, and public place bins).
3. DWMC revenue and cost allocations compliant with SSROC principles (all services and functions related to minimising waste and maximising resource recovery of all waste generated by domestic premises, including CRCs, drop-off events, and illegal dumping). SSROC pricing principles will be discussed in further detail below.

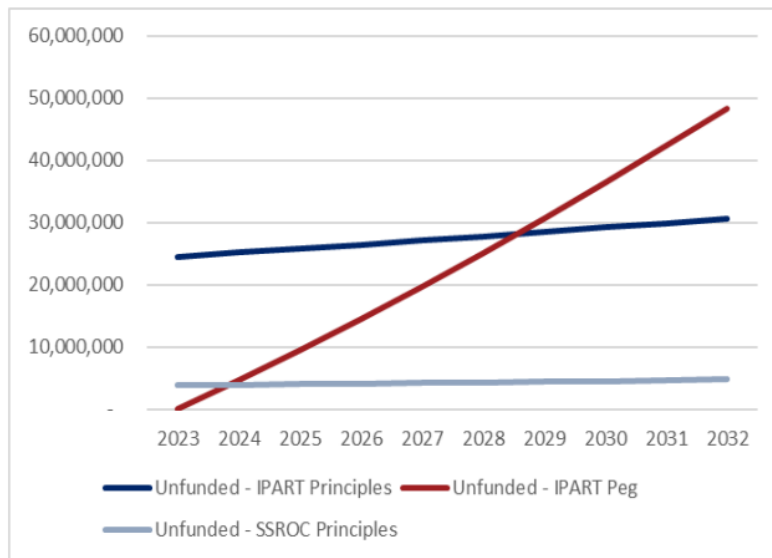
This modelling indicates that, should the DWMC be pegged at 1.1%, the total shortfall in funding required just to maintain the current level of service would exceed \$260 million for 11 councils over 10 years.

The figure below shows the total cost of service, and the amount recoverable under each of the three scenarios, for the Base Case with no FOGO costs.



The model calculated the amount recoverable through DWMC for each of the three scenarios and allows the calculation of the ‘unfunded amount’, being the amount not recoverable which must then be captured through general Council rates.

The chart below shows the unfunded amount under the three scenarios, demonstrating the material increase over the ten-year model period for the unfunded amount where the IPART Peg scenario is applied.



While the modelling is based on assumptions, particularly in extrapolating results across all Councils, and in assuming that the IPART Peg of 1.1% continues across the full modelled period, it provides a clear demonstration of the potential risk under both the IPART Principles and IPART Peg scenarios that the amount of cost recoverable through DWMC will not match service provision costs, and hence have a material impact on general Council rates.

The modified SSROC Principles provide the greatest level of cost recovery. Applying the IPART Principles sees a consistent gap between the cost of service and the amount recoverable, while the gap increases where the IPART Peg is applied due to the lower rate of growth of the recoverable amount. Both the IPART Principles and IPART Peg scenarios would see a large amount needing to be recovered through general Council rates.

However, the draft report mentions no such cost-shifting mechanism in the draft report other than a special DWMC variation and a special rate variation, highlighting that the proposed peg is the worst of all available options and will severely hamper councils' efforts to meet community expectations, deliver WaSM targets, and prepare for future climate events.

The city of Canterbury Bankstown strongly opposes any pegging that will lead to a potential reduction in service, innovation, best practice and potentially needing to apply for a Special Rate Variation. From this modelling Council strongly supports variations to the proposed IPART pricing principles and updated definitions of waste and domestic waste services in the Local Government Act.

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

The City of Canterbury Bankstown cannot support the pricing principles as they are currently presented by IPART, as we don't feel it provided best value to rate payers. We support the concept and intent that updated, and realistic pricing principles can be linked to achieving best practice for our community. However, it is unclear how IPART's principles will currently achieve that.

An updated definition of Waste and Domestic Waste Services will provide clarity, consistency, and further improve transparency and increase certainty that the updated principles are being consistently applied.

Based on the definitions of 'domestic waste' and 'domestic waste management services' in the Local Government Act and the OLG Manual, neither the voluntary peg nor the benchmarking & rebalancing fully address the needs of councils to provide all the services and functions required to minimise landfill and maximise resource recovery from waste generated by individual parcels of rateable land, in alignment with WaSM circular economy principles and the Waste Avoidance and Resource Recovery (WARR) Act.

***Pricing Principle 1: DWM Revenue should equal the efficient incremental cost of providing the DWM service***

**Alternate suggested approach:**

- **Modernise inclusions on an average cost basis.**
- **The DWMC will recover all costs associated with the delivery of services and/or functions that relate to material generated from a domestic source.**

The definitions of waste in the Local Government Act and OLG manual are out of date. There needs to be recognition that a modern-day waste service includes a circular economy and a resource recovery approach.

A review of the Local Government Act 1993 Waste definition needs to broaden the scope of the services permitted to be covered under the Section 496 DWM charge to better cover waste services residents now expect councils to deliver.

Previously the DWM service was for garbage collections only. As waste services evolved to respond to the sustainability agenda and community expectations, this was broadened to include recycling services (yellow bin) and garden waste (green bin) to the property and now councils are moving to FOGO.

Contemporary domestic waste management services provided to residents, are no longer simply limited to "collection-based services to each individual rateable parcel of land" – a definition and concept that is now out-dated. We are now providing non-periodic waste collection services to dispose of waste generated from the domestic property/premises, these, should be permitted to be classified as a DWM service. Further, residents must take responsibility for the waste they generate and for some waste streams or items this means waste services are not from the property, residents are required to self-transport waste to certain drop-off locations or periodic events. Councils are also the key organisations responsible to drive positive behavioural change programs related to waste management, resource recovery and creating a circular economy.

Examples of contemporary waste services include:

- Community Recycling Centres for problem waste and recyclables.
- Collection and recycling of materials from residents, that don't go into the three bin system, including soft plastics, textiles, mattresses, tyres and solar PV panels.

- Periodic drop-off collection events for items such as e-waste, bulky green waste, household chemicals and other future product stewardship scheme items.
- Other important waste events and behavioural change programs detailed in a councils Waste Strategy's including repair cafés, clothing swaps, Clean Up Australia Day, home composting/worm farming workshops and the like.
- Illegal dumping clean-up costs, particularly where the material predominantly arises from residential sources.
- Advice on waste infrastructure in new developments.
- Innovation in trialing new systems for improved outcomes, such as using artificial intelligence for contamination identification.

The above list provides broader activities that should be included, however there are several others costs that should be included in the DWM charge, for example, if we look specifically at rolling out an organics 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

These would be costs that are directly incurred in providing the service to residents. Without the above, the service would not occur or be less effective.

Councils undertake extensive community consultations while developing their Waste Strategies which is typically adopted by a Council via resolution after public exhibition and submissions have been carefully considered. DWM services that have been endorsed by Council resolution should be permitted to be funded through the DWM charge.

Further "recent research conducted by Veolia revealed that outside of the economy and cost of living, NSW voters are most concerned about the environment. In a post-pandemic world, voters say environment sustainability is a priority, and that they support investment in recycling and waste initiatives, to help prevent climate change – even if it means diverting funds from elsewhere."<sup>14</sup>

It is reasonable that the costs associated with providing this broader scope, Council approved, domestic waste services are permitted to be covered under the Section 496 DWM charge within the LG Act and OLG Rates Manual. It is now timely to allow for the next evolution of domestic waste management services via a review of the LG Act Section 496 review and OLG Rates Manual guidelines.

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<sup>14</sup> Waste Management Review April 2022 pg 12 News

It is recommended that the NSW Office of Local Government undertake a review of the Local Government Act domestic waste management services scope and charging methodologies, including a review of the OLG Rating and Revenue Raising Manual to better reflect current community expectations of local government waste services beyond the kerbside and immediate property.

We would welcome the opportunity to participate in consultation and engagement processes for such a review, to assist shaping a newly crafted definition for domestic waste management services reflecting contemporary waste services to resident.

***Pricing Principle 2: 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.***

Council already publishes information regarding the waste services provided and the relevant charges as part of their Fees and Charges information readily available in the Operational Plan and on our website. This information is usually itemised to outline bin size, frequency of collection, plus charges for additional service components (additional bins, wheel in/out services etc). We use the average cost to calculate fees and charges for the DWMC.

Further, there are service nuances within the DWM services related to differing dwelling types and or site-specific factors that can affect on ground services at a property level. For example, some unit and apartment complexes are given 240 litre MGBs, whereas others may have 660 or 1100 litre MGBs, purely due to onsite spatial constraints or in response to installed onsite infrastructure such as bin chutes and different types of bin carousels.

This flexibility is essential for operational reasons. In most cases, the relevant waste stream bin litres provided to each dwelling type, to the corresponding DWM charge is maintained. Where there are instances of service level inconsistencies due to site specific factors, it is not practical for councils to apply variable DWM charges and the property may simply receive a modified service level.

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***Pricing Principle 3: 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***

Council agrees that compliance with this principle is in relation to the provision of DWM services to Single Unit Dwellings (SUDs). However, council will continue to offer bespoke services to (Multi Unit Dwellings (MUDs). Thus, DWMC should be proportionate to enable necessary services catered to community needs and not discriminate against the socioeconomic and/or cultural demographics (inc CALD) that tend to live in MUDs. The DWMC is not a fee for service, it is an availability of service – of a similar service not an exact service. Calculations of a fee for service would be too impactable to achieve, as costs are shared across all like services.

For example, there is flexibility in service provision for operational reasons and in most cases, the relevant waste stream bin litres provided to each DWM dwelling type, to the corresponding DWM charge is maintained. Where there is major difference between service levels, for example unit complexes may only get two green bins for the entire complex, not one per individual unit as houses

get, as the complex does not generate much green waste but they may receive increased bulky waste collections. DWM charges are determined at a more global level, not by calculating actual specified costs per dwelling type which is not a pragmatic approach.

Another element in response to 'Pricing Principle 3b' is that there are possible concerns where a service component may be deliberately withdrawn by council or simply cannot be provided. For example, a property which repeatedly grossly contaminates and abuses a kerbside recycling service over an extended period and does not change behaviour after education processes, may have that service suspended or withdrawn – with no adjustments to the DWM charge being levied on that property. Reducing the DWM charge in this case virtually allows a poor performance opt out scenario, with lower charges being an incentive for poor recycling which would not be acceptable to council.

While, Council undertakes consultation through the Integrated Planning and Reporting (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, but councils will still have an obligation to implement the service under NSW EPA *Waste and Sustainable Materials Strategy 2040*. NSW EPA also had the ability to request Councils to report on adherence to their waste strategy through the Waste and Resource Recovery (WARR) Act. So to have further reporting requirements is extremely onerous for Council.

***Pricing Principle 4: Any capital costs for providing DWM services should be recovered over the life of the asset to minimise price volatility.***

Council will continue to recover capital costs prior to the expense being incurred to reduce reliance on borrowings. The City of Canterbury Bankstown strongly advocates for allowing councils to utilise the waste reserve for provision of reasonable future obligations, including climate events and other emergencies, rapid market-based cost increases, capital expenditures for planned services such as FOGO or planned waste-related infrastructure such as CRCs, and other reasonable market risks.

Further, some historical waste assets such as landfills, where revenues have not been collected in the past to fully account for modern environmental standards or unforeseen remediation projects that can impact on DWM charges and the need to generate surplus revenues for waste reserves to fund essential works.

Council advocates that we should be able to recover reasonable capital costs for future services or facilities included in our long-term financial plan. This not only serves to stabilise variations in the DWMC by ensuring we have a flexible and transparent capital cost raising mechanism, but it also decreases the net total of DWMC charged to residents over time by avoiding passing on loan interest to our ratepayers.

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?

Once the pricing principles and the underlying definitions of waste and domestic waste service have been modernised and clarified to align with the objectives of the WaSM and WARR Act, detailed working examples would be useful to illustrate how each cost, including associated overheads, should be allocated and reported.

## Conclusion

While The City of Canterbury Bankstown Council supports a clear, efficient, and transparent DWMC and pricing principles, we strongly oppose any measure that inhibits councils' ability to deliver the range of high-quality domestic waste management services expected by the community, mandated by the NSW Government, and that are necessary to meet waste and resource recovery targets. We feel that the decisions in the draft report will not only be harmful to NSW councils and fail to solve the issues of DWMC variation between councils that triggered IPART to review the DWMC but will also impede progress towards the circular economy outcomes we so desperately need.

We would be more than happy to sit down with representatives of IPART to ensure they have a better understanding of the realities of managing a waste service

Thank you for the opportunity to provide feedback on this review. If you have any questions, please do not hesitate to contact me at [REDACTED]

James Carey

Director City Future

City of Canterbury Bankstown