

Domestic waste management charges - Discussion Paper

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Question	Response
Feedback and Submission Form	
Industry	Local Government
Review	Review of domestic waste management service charges
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<p>1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?</p>	<p>It should not automatically be deemed of concern that DWM charges rise faster than the rate peg as there are numerous valid reasons for this including:</p> <ul style="list-style-type: none"> • Waste levy payment to the NSW government for each tonne of domestic waste landfilled increased in the ERA by 14.3%, from \$120.90 per tonne in 2014-15 to \$138.20 per tonne in 2017-18. This waste levy increase is significantly higher than the CPI and the rate peg. Given that the waste levy is a major cost item for Councils, it is unreasonable to expect that the waste levy increases could have been absorbed within CPI or rate peg increases. • Regulatory changes such as Council / MRF Refund Sharing Agreements under the Container Deposit Scheme. • The introduction of the NSW Container Deposit Scheme (CDS) has seen a significant drop in kerbside recyclables collected for many Councils. The drop is directly linked to CDS products being diverted away from the kerbside recycling bin resulting in the Collection Contractor/Council missing out on a significant revenue stream that could offset the cost of providing the collection service. • The impact of the China Sword Policy in 2018 has resulted in added costs associated with supplementary processing of recyclables to ensure export quality and/or temporary storage in Australia while domestic markets are being developed. • Policy pressure from the NSW Government to continue investing in resource recovery infrastructure and services to meet increasingly ambitious domestic waste landfill diversion and recycling targets. • Councils that are operating landfills have significant capital and operational costs to ensure legislative compliance compared to Councils that do not operate landfills.
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<p>2. If there are concerns, how should IPART respond? For example, if IPART was to regulate or provide greater oversight of these charges, what approach would be the most appropriate? Why?</p>	<p>Less intrusive regulation is considered the best approach. It would be very welcome for IPART to develop pricing principles and guidelines on the scope of the services that can be included in the DWMC. This will provide clarity to Council and as such provide consistency between Council irrespective of the great variations of services provided. As a minimum such guidelines should provide clarity on whether the cost of the following should be included in the DWMC:</p> <ul style="list-style-type: none"> • Delivery of waste education programs • Deliver of waste avoidance and resource recovery programs (i.e. e-waste collection drop off events, mattress muster drop off events) • Rehabilitation of legacy landfills (total cost or proportion) • Progressive rehabilitation of operational landfills (total cost or proportion) • Upgrade works of Waste Management Centres/transfer facilities • Construction of new waste infrastructure, i.e. new landfill cells (total cost or proportion) • Procurement of new landfill/transfer facility plant and equipment (total cost or proportion) • Supply of tip voucher in lieu of bulky waste collection service <p>Council does not support the capping of increases as it may severely hinder the delivery of waste and recycling collection and processing services particularly for smaller Councils or regional Council.</p>
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<p>3. Would an online centralised database of all NSW councils' domestic waste charges allowing councils and ratepayers to compare charges across comparable councils for equivalent services (eg, kerbside collection), and/or a set of principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?</p>	<p>It is unclear what the benefits would be for such centralised database. The Government Information (Public Access) Act 2009 already requires that contract information is made publicly available through a contract register, increasing transparency.</p> <p>Using a centralised database including the contract amount for comparison purposes would be meaningless without understanding the full scope of work required to be performed under the contract, risks to be born or the idiosyncrasies of each LGA. It would be foolish to believe that a regional Council with a large geographic area, rural communities and that is distant from recycling markets can attract the same competition and competitive tenders as a metropolitan Council. Given the many complex and Council specific factors that inform tender prices, it is doubtful that any two tenders could be comparable.</p>
<p>4. Do you have any other comments on councils' domestic waste management charges?</p>	
<p>5. Which Council do your comments relate to?</p>	<p>Maitland City Council</p>
<p>Your submission for this review:</p>	
<p>If you have attachments you would like to include with your submission, please attach them below.</p>	<p>IPART DWMC submission Oct 20.pdf</p>
<p>Your Details</p>	
<p>Are you an individual or organisation?</p>	<p>Organisation</p>
<p>If you would like your submission or your name to remain confidential please indicate below.</p>	<p>Publish - my submission and name can be published (not contact details or email address) on the IPART website</p>
<p>First Name</p>	<p>Elfi Blackburn</p>
<p>Last Name</p>	<p>Blackburn</p>
<p>Organisation Name</p>	<p>Maitland City Council</p>
<p>Position</p>	<p>Waste Services Coordinator</p>
<p>Email</p>	<p>[REDACTED]</p>
<p>IPART's Submission Policy</p>	<p>I have read & accept IPART's Submission Policy</p>

Independent Pricing and Regulatory Tribunal
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Review of Domestic Waste Management Charge – Submission

Responses to questions raised in the Discussion Paper

1. Is it a concern that DWM charges appear to be rising faster than the rate peg? Are there particular cost-drivers that may be contributing to this?

It should not automatically be deemed of concern that DWM charges rise faster than the rate peg as there are numerous valid reasons for this including:

- Waste levy payment to the NSW government for each tonne of domestic waste landfilled increased in the ERA by 14.3%, from \$120.90 per tonne in 2014-15 to \$138.20 per tonne in 2017-18. This waste levy increase is significantly higher than the CPI and the rate peg. Given that the waste levy is a major cost item for Councils, it is unreasonable to expect that the waste levy increases could have been absorbed within CPI or rate peg increases.
- Regulatory changes such as Council / MRF Refund Sharing Agreements under the Container Deposit Scheme.
- The introduction of the NSW Container Deposit Scheme (CDS) has seen a significant drop in kerbside recyclables collected for many Councils. The drop is directly linked to CDS products being diverted away from the kerbside recycling bin resulting in the Collection Contractor/Council missing out on a significant revenue stream that could offset the cost of providing the collection service.
- The impact of the China Sword Policy in 2018 has resulted in added costs associated with supplementary processing of recyclables to ensure export quality and/or temporary storage in Australia while domestic markets are being developed.
- Policy pressure from the NSW Government to continue investing in resource recovery infrastructure and services to meet increasingly ambitious domestic waste landfill diversion and recycling targets.
- Councils that are operating landfills have significant capital and operational costs to ensure legislative compliance compared to Councils that do not operate landfills.

2. To what extent does the variation in services and charges reflect differing service levels, and community expectations and preferences across different councils?

It is almost impossible to fairly compare the DWMC between Councils due to the large variation of waste and recycling collection and processing services and systems

provided. While most Councils now provide a kerbside waste collection and recycling service, there are large variations in the:

- type of recyclables accepted in the recycling bin
- provision of organics collections services i.e. garden organics only or food and garden organics
- The provision of bulky waste collections services provided i.e.
 - Type of service (on-call or zone collection)
 - Number of services
 - Types of materials included
- Travel distances to Waste management centre or processing facility
- Number and types of collection trucks to be supplied
- Size of LGA and travel distance to service properties. This has impacts on the number of trucks to be provided
- Number of rural properties which generally involve long travel distances between properties with a lower number of bins serviced per hour compared to urban areas. Servicing a bin in a rural area is therefore higher than servicing a bin in an urban area.
- delivery of communication, education and administration
- type of MRF processing technology applied
- type of Organics processing technology applied
- Length of contract and contract maturity profiles
- The number of different types of bins (bulk bins, 240 l, 120 litre) and number of bins a collection service provider must supply, maintain and service. This will determine the number and types of trucks to be supplied
- Type of risk sharing arrangement in place between Council and service provider i.e. is Council sharing risks for prices/markets for recyclables, replacement of stolen bins
- access to alternative recycling markets with limited capacity to process locally or stockpile recyclables

3. Is there effective competition in the market for outsourced DWM services? Are there barriers to effective procurement?

The number of waste and recycling collection service providers has decreased significantly compared to the early 2000 which is of concern as it restricts competition. The ever expanding number and types of services required by Council, may exceed the capacity of smaller to medium sized companies and are therefore pushed out of the market by larger companies.

Barriers to effective procurement:

- Limited number of service providers
- Expectation that Council should accept lowest priced tender rather than best value for money tender.
- Some contracts are so comprehensive, complex and as such require very large investment that only big service providers can tender
- Current high risk associated with limited or even absent markets for sorted recyclables

4. Are overhead expenses for DWM services appropriately ring-fenced from general residential rates overhead expenses?

It is difficult to comment without having an understanding on the types of overhead expenses applied by some Councils. If overheads include costs to deliver waste education, waste avoidance, reuse and resource recovery programs, they should be allowed to be included in the DWMC. In relation to general overheads such services provided by HR, IT, rates and Customer Service, guidelines should be developed on the most appropriate approach of identifying and calculating overheads.

5. If IPART was to regulate or provide greater oversight of DWM charges, what approach is the most appropriate? Why?

Less intrusive regulation is considered the best approach. It would be very welcome for IPART to develop pricing principles and guidelines on the scope of the services that can be included in the DWMC. This will provide clarity to Council and as such provide consistency between Council irrespective of the great variations of services provided. As a minimum such guidelines should provide clarity on whether the cost of the following should be included in the DWMC:

- Delivery of waste education programs
- Deliver of waste avoidance and resource recovery programs (i.e. e-waste collection drop off events, mattress muster drop off events)
- Rehabilitation of legacy landfills (total cost or proportion)
- Progressive rehabilitation of operational landfills (total cost or proportion)
- Upgrade works of Waste Management Centres/transfer facilities
- Construction of new waste infrastructure, i.e. new landfill cells (total cost or proportion)
- Procurement of new landfill/transfer facility plant and equipment (total cost or proportion)
- Supply of tip voucher in lieu of bulky waste collection service

Council does not support the capping of increases as it may severely hinder the delivery of waste and recycling collection and processing services particularly for smaller Councils or regional Council.

6. Are there any other approaches that IPART should consider?

IPART could consider requesting that Councils within the highest band (i.e. top 10%) itemise the calculation of the DWMC to allow closer scrutiny.

7. If a reporting and benchmarking approach was adopted, how could differences in services and service levels, as well as drivers of different levels of efficient cost, be accounted for?

As outlined above the response to Question 2, there are significant variation between the waste and recycling collection and processing services, programs and systems provided by the Council combined with differences in LGA characteristics, population, geography, access to markets and travel distances which will make meaningful benchmarking very difficult. However, the development of DMWC guidelines as outlined

in the response to Question 5 would be very useful in removing uncertainties, ensuring transparency and ensuring a more consistent approach by all Councils.

8. Is there merit in IPART's proposed approach to developing a reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges? Is it likely to be an effective approach? Why/why not?

Council cannot see the merit in such approach. As outlined above the response to Question 2, there are significant variation between the waste and recycling collection and processing services, programs and systems provided by the Council combined with differences in LGA characteristics, population size and distribution, geography, access to markets and travel distances which will make meaningful benchmarking very difficult. It is not accepted as stated in the discussion paper that "*a large number of councils are likely to face similar costs for common DWM services.....*".

As delivery of waste and collection and processing services are almost unique to each Council, reporting and benchmarking are not considered to be an effective approach.

The proposed pricing principles are considered useful, however clear definition (i.e. definition of "reasonable cost", social programs) would be required to remove uncertainties. The "user pays" approach and the principles of incremental cost allocation is considered acceptable.

9. Would IPART's proposed approach be preferable to audits of local councils' DWM charges by OLG?

Councils' accounts are audited by independent auditors on an annual basis.

IPART's less intrusive approach is preferred to further auditing by OLG. DWMC audits in addition to existing regulatory requirements are unlikely to achieve desired outcomes.

10. Are there any issues that should be considered with regards to developing an online centralised database for all NSW councils' DWM charges to allow councils and ratepayers to benchmark council performance against their peers?

The drivers for pricing the DWMC are complex and varied as previously stated. Given that it will be at best very difficult to benchmark Council performance without consideration of vital qualitative factors such as LGA size, geography, population size and distribution, travel distances, access to markets as well as political, economic and societal changes that influence service availability and price. Without that background, benchmarking between different Councils may be challenging and cause additional, unwarranted, concerns in the community.

Council does not support benchmarking or developing online centralised databases due to the complex variables involved that are likely to cause confusion and lead to misinterpretation by the public.

However, any action to improve accountability and transparency and to reduce ambiguity and inconsistencies are welcome.

11. Do you agree with IPART's proposed pricing principles? Why/why not?

The proposed pricing principles are considered useful, however clear definition (i.e. definition of "reasonable cost", social programs) would be required to remove uncertainties.

Council does not consider the term "user pays" potentially confusing for the community. The term 'user pays' may suggest that only those residents that use a service should pay for it. As with roads and other essential services, waste services are provided regardless of whether they are fully utilised or not by the resident. This term could confuse ratepayers who may be expected to be refunded if they do not use their standard service. For example, a resident not utilising their garden organics bins because they compost green waste will still be required to pay for garden organics collection and processing service. Allowing residents to opt out of waste and recycling services to achieve a "user pays" approach is considered undesirable as it may lead to perverse outcomes such as increased backyard burning, illegal landfilling of waste or illegal dumping.

12. Are there any other pricing principles or issues that should be considered?

Allowances should be made for the provision of services that achieve a Circular Economy or have distinct environmental benefits but may attract higher cost than conventional approaches at present (i.e. use of electric garbage trucks vs diesel powered garbage trucks).

13. Could a centralised database and display of key elements of all successful DWM service contracts (eg, name of tenderer, service provided and contract amount) assist councils in procuring efficient services? If not, why not?

It is unclear what the benefits would be for such centralised database. The Government Information (Public Access) Act 2009 already requires that contract information is made publicly available through a contract register, increasing transparency.

Using a centralised database including the contract amount for comparison purposes would be meaningless without understanding the full scope of work required to be performed under the contract, risks to be born or the idiosyncrasies of each LGA. It would be foolish to believe that a regional Council with a large geographic area, rural communities and that is distant from recycling markets can attract the same competition and competitive tenders as a metropolitan Council. Given the many complex and Council specific factors that inform tender prices, it is doubtful that any two tenders could be comparable.