

# Domestic waste management charges - Discussion Paper

Submission date: 17 September 2020, 11:54AM

Receipt number: 34

Related form version: 4

Question	Response
Feedback and Submission Form	
Industry	Local Government
Review	Review of domestic waste management service charges
Document Reference	c1e253a1-4210-41d3-97de-3be8f315fce7
1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?	The level of charge for Council's most commonly used service - 80 Litre bin is minimal. The weekly service costs users \$7.14 which would make it if not the lowest household bill, certainly close to the lowest household bill.
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?	The service levels across the state vary markedly. The services have developed since their inception reacting to the demand of each locality. IPART would need to consider mandating the service level if it needs to make responsible comparisons.
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?	It is highly unlikely that residents in a metropolitan Council would look/compare the waste service with a regional or Shire Council or vice versa. The needs of disparate areas are greatly different.
4. Do you have any other comments on councils' domestic waste management charges?	The controls applied in the Local Government Act ensure that the costs and revenues of the Domestic Waste service are quarantined. On balance the service is likely to be the best value for money service available, especially when compared to other utility service industries.
5. Which Council do your comments relate to?	Mosman Council
Your submission for this review:	Please see the Council's submission below

If you have attachments you would like to include with your submission, please attach them below.	<a href="#">DWM Issues for IPART.pdf</a>
<b>Your Details</b>	
Are you an individual or organisation?	Organisation
If you would like your submission or your name to remain confidential please indicate below.	Publish - my submission and name can be published (not contact details or email address) on the IPART website
First Name	Gary
Last Name	Mills
Organisation Name	Mosman Council
Position	Chief Financial Officer
Email	[REDACTED]
IPART's Submission Policy	I have read & accept IPART's Submission Policy

# Domestic Waste Management

## Submission to IPART

### Guiding Principals

Definition of Domestic Waste (*Local Government Act 1993* Dictionary)

**Domestic waste** means waste on domestic premises of a kind and quantity ordinarily generated on domestic premises and includes waste that may be recycled, but does not include sewage.

**Domestic waste management services** means services comprising the periodic collection of domestic waste from individual parcels of rateable land and services that are associated with those services.

### Relevant sections of the *Local Government Act 1993*

#### 504 Domestic waste management services

- (1) A council must not apply income from an ordinary rate towards the cost of providing domestic waste management services.
- (1A) Subsection (1) does not prevent income from an ordinary rate from being lent (by way of internal loan) for use by the council in meeting the cost of providing domestic waste management services.
- (2) Income to be applied by a council towards the cost of providing domestic waste management services must be obtained from the making and levying of annual charges or the imposition of charges for the actual use of the service, or both.
- (3) Income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the council of providing those services.

#### 507 Variation of annual charges for domestic waste management services

The Minister may, by order published in the Gazette—

- (a) specify the percentage by which the amounts of annual charges made by councils for domestic waste management services for a specified year may be varied, and
- (b) impose conditions with respect to the variation of those charges.

### Commentary

In section 1.2 of IPART's discussion paper, it is stated that IPART considers that in some cases DWM charges may not reflect the reasonable and efficient costs of providing DWM services. There are no advantages to Council in setting charges higher than they need be. Council charge per service and any excess funds received must be restricted and set aside specifically for use on DWM.

IPART states that it is not clear that there is effective competition in the market. Councils are not in the position to create more competition. Councils can only seek responses to tenders for services.

In Section 2.1 IPART correctly concludes that Councils are monopoly providers as required under the *Local Government Act 1993*. An amendment to the Act will be required if there is a consensus within the NSW Parliament. Please refer to Council's response to Question 3 below.

IPART notes that since 2016 there has been little external oversight of DWM charges. Council considers that this might be an opportunity to place DWM charge calculation before its Audit and Risk Committee annually.

IPART notes that there is a wide variation in DWM services. This is not surprising as the level of servicing varies across the State. Domestic waste services have been evolving since their inception. It has done so in response to local ratepayer demands and needs together with the evolving waste management options such as recycling, community recycling centres and e-waste.

Council has some significant concerns if following this review, ratepayers are given the opportunity to opt out of the Council's service. This concern relates to a possible increase in illegal dumping, including the placing of household waste into park and street litterbins. Council will remain responsible for managing the public domain, which will see additional cost being charged against rates.

In Section 3 IPART canvases efficient costs and consideration of affordability. Charges viewed on a weekly basis – the manner in which the service is delivered, clearly indicate that the current charges are both very affordable and good value for money especially when compared to other household bills. The charges are paid by ratepayers, not tenants.

## Responses to IPART's Questions

### 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?**

The Domestic Waste service is a specified service that encounters cost increases that are not limited to the Local Government Cost Index that is used to determine the rate peg.

In particular, there is the application of S.88 Levies applied by the NSW Government pursuant to the ***Protection of the Environment Act***. These levies are calculated on tonnages delivered to land fill sites (tips). For metropolitan Councils the levies have increased by 144.2% in the last ten years and for regional areas by 727.0%. The levy represented 19.6% of the total operating cost of the Domestic Waste Service in Mosman in 2019/20.

It is noted that the state is raising \$800 million through the waste levy. There is a lack of evidence to show how this is being dedicated to what the waste sector needs:

- dedicated recycling infrastructure and
- alternative waste treatments
- noting that waste is not viewed as a material with any value
- Council would appreciate IPART having an overview of S88 Levy cost increases.

Accordingly, the cost of collection and disposal is likely to go up but the State Government has shown insufficient leadership in addressing this issue.

Individual Council Waste collection costs can be controlled by terms included in collection contracts. Disposal options are limited and suffer as a result of the duopoly of the market within the Sydney Basin.

There are other external factors that Council has no control over such as the China Sword policy which in 2019 onwards increased the cost of recycling processing in Australia.

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

There is no common service level among the State's Councils. Putrescible waste bins offered by Councils differ so do recycling services offered. Some Council's own bins whilst other Council areas the resident owns the bins.

Bin sizes available to Mosman residents include – 80 litres, 120 litres, 140 litres and 240 litre for households with differing rates charged with greater bin size attracting a larger fee.

Recyclables management again varies in terms of waste containers but charges are the same irrespective of recyclable bin size.

Some Councils have very narrow streets which require the addition of smaller collection vehicles

Some Councils like Mosman, champion waste reduction and rewards persons that produce low levels of waste thus encouraging waste minimisation, an excellent environmental approach. No two Councils are the same. Services levels in each Council have been determined over extended timeframes by local demand.

A one size fits all approach cannot work unless there were mandated service levels.

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

Council believes that the public Tender process to undertake the waste collection function ensures that it obtains competitive pricing. In terms of competition Council would be very pleased to receive more responses. However, it is not Council's role to encourage private enterprise to enter the business of waste collection. The limited response to calls for Tender may be impacted due to a perception that profit margins/returns to shareholders are limited, or that establishment costs for a business to become competitive in the waste collection market are too high.

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

Mosman Council has developed a principles based Corporate Overhead distribution model that applies overheads across all functions of Council. The model ensures that an appropriate level of overhead is applied to each function of Council. Accordingly Council considers that is complying with the requirements of S504(1) in not applying revenue from an ordinary rate towards the cost of the domestic waste management services.

It is noted that neither the Office of Local Government or the Audit Office of NSW have provided guidelines for the application of overheads.

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

Councils are required to publicise proposed fees and charges and seek comments or concerns about those fees. Councils must consider any submissions received. No submissions have been received on DWM Charges. Council is confident that its DWM charges are appropriate and no oversight is required by IPART.

Ultimately, residents have the power if they are aggrieved with their Council, to elect Councillors who will address the issues of their concern. Council undertakes a community survey on a bi annual basis covering the services it provides. The latest survey disclosed a 7.2 out of 10 satisfaction score in regard to its waste services.

IPART should understand the different circumstances applying to each region including:

- Disposal/ processing site availability, location and distance from collection points
- Councils offer many options to residents to cover their needs in regard the type of service they require
- Underlying environmental issues (leachate control, odour management etc)
- S88 Levy increases
- User needs/demands
- Materiality of the charge

IPART might consider narrowing its view of oversight to a regional base utilising member Councils of Regional Organisations of Councils (ROCs).

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

Rather than a one size fits all Control Mechanism approach, IPART might determine and suggest an appropriate percentage increase as a guide in each of the ROC groups of the State taking into account the local input issues and leave it to residents to take it up with their Council if their increase exceeds that percentage.

Council considers that this might be an opportunity to place DWM charge calculation before its Audit and Risk Improvement Committee annually prior to publication and the seeking of public comments on the proposed fees and charges.

**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?**

This would be a difficult exercise and as mentioned above, using ROCs and their member Councils would be more appropriate for benchmarking and comparing like for like as local inputs may be more common than at a state wide level.

**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?**

Given the service level variations across the State, the fact that some Councils have in house services and disposal facilities, it is difficult to see what IPART is aiming to achieve. IPART needs to consider materiality and the cost benefit to be achieved in delivering the outcome it is pursuing. All Councils are required to consult on the fees and charges it applies to DWM.

Mosman Council's fees are \$7.14pw for its weekly 80 litre bin service, \$24.36 for a 240 litre weekly waste service. Compared to other household utility costs this is a low charge. The reality is that for an 80 litre bin the charge is not material. It should also be noted that the \$7.14 charge also covers the cost of the bi annual household pickups, monthly green waste 240 litre bin collection and alternate weekly 240 litre bin recyclables. It also includes a community recycling centre, e-waste drop off and access to free vegetation drop offs.

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

Council is of the view that it would be more efficient if the OLG were to include a requirement in its Code of Accounting Practice for a special schedule covering the Domestic Waste Service for each financial year. This would be subject to audit by the Audit Office of NSW and provide:

- Transparency to ratepayers
- Control of issues such as overhead allocation
- Improved understanding of the services provided
- Improved accountability
- A creditable information source

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

Please refer to previous answer. Unless the service levels are standardised, access to disposal and processing facilities are the same any ability to compare or benchmark is difficult.

Local variations also include historical collection services, variations to the road network and differences in services available such as onsite services to kerbside services. It is suggested that standardisation is not possible and will not produce any cost savings.

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

Council agrees that the pricing principles used should be transparent. Council considers that IPART's position on Pensioner and Hardship are not material and would have minimal impact on the annual charge. Pensioner have a much lower spending capacity and as a result, they produce less waste.

Council considers that its suggestion in response to Question 9 would improve transparency and accountability and be more efficient than adding another external layer to the oversight of the fees setting process.

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

As we have learnt in 2020 it is difficult to forecast the future. There are likely movements in the recycling markets including new technologies. Additionally there will be changes in collection and disposal of putrescible waste as community may wish to limit landfill and increase processing.

**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?**

The benefit is limited. Comparing Council members in a ROC is likely to be more relevant but there will be significant differences within these also.