

Domestic waste management charges - Discussion Paper

Submission date: 16 October 2020, 4:10PM

Receipt number: 74

Related form version: 5

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?	Please refer to the attached document.
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?	Please refer to the attached document.
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?	Please refer to the attached document.
4. Do you have any other comments on councils' domestic waste management charges?	Please refer to the attached document.
5. Which Council do your comments relate to?	Please refer to the attached document.
Your submission for this review:	Please refer to the attached document.
If you have attachments you would like to include with your submission, please attach them below.	Project 24 IPART Response.docx
Your Details	
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	Corey

Last Name	McArdle
Organisation Name	Project 24 Partner Councils
Position	Project Manager
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

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

Dear Sir/Madam

Re: Review of Domestic Waste Management Charges

The Project 24 partner Councils (Camden, Campbelltown, Liverpool, Wollondilly and Wingecarribee) are pleased to provide comment on IPART's Discussion Paper of the review of Domestic Waste Management Charges.

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?

DWM charges are not linked to the rate peg and are driven by a separate set of cost drivers therefore, the Project 24 partner Councils do not believe that DWM charges rising at a different rate to the rate peg is a concern.

If IPART were to recommend the implementation of a waste peg consideration must be made as to how waste costs which represented each Council's unique disposal method or contractual arrangement would be included. IPART should also consider Council's long-term financial planning for items such as capital improvements to a waste depot (where an in house service is provided), plant purchases and planning for increases in disposal fees.

The DWM charge is affected by a number of factors that are outside Council control, including but not limited to:

- The section 88 contribution (waste levy) which is set by the state government and increases annually at CPI
- The increasing cost of waste processing and disposal
- Costs of managing illegally dumped domestic waste.
- The chosen processing method which generally determines the volume of waste diverted from landfill
- Method of waste collection (contractor vs in house)
- The availability of markets for end product sales
- The service offerings appropriate to the Council area and needs
- Legislation such as export bans
- New requirements for disposal of emerging waste streams i.e. E-Waste
- The State targets for landfill diversion

Unforeseen cost drivers such as changes in legislation (e.g. export bans) and foreseen cost drivers such as the expiry of waste collection and disposal contracts impact operational costs

dramatically. Any regulation regarding price increases must give Councils scope to increase DWM charges to reflect these foreseen and unforeseen costs independent of the rate peg.

The partner Councils have experienced lower than market rate disposal costs for the last 15 years. This is predominately due to the Councils being part of a long-term disposal contract that has protected the Councils from large increases in disposal costs over time. This contract ends in 2024 and is projected to result in increased DWM charges.

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

Service delivery structures differ within and between Council areas to accommodate local demographics and housing types, waste streams and any variations to services that are required. Community expectations and preferences determine the level of waste service that Councils provide.

Offering a wide variety of domestic waste service options allows ratepayers to select a fit for purpose domestic waste service and to be charged accordingly. This system accommodates the wide range of socioeconomic and geographic variation within an LGA and allows Councils to meet the needs of all residents. For example, in respect of domestic waste collection, most councils provide a range of bin sizes (or multiple bins of the same size) to enable ratepayers to tailor services to their needs, which are most commonly dictated by family size.

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

Yes, there is effective competition in the market. The partner Councils are currently in the process of a competitive open tender process to ensure that the best value for money is achieved. Early industry engagement has shown sufficient interest in the project from the sector confirming that multiple service providers intend on tendering.

The partner Councils have not experienced any barriers to effective procurement. There is a long history of joint procurement amongst the Project 24 Councils. Four of the Project 24 partner Councils underwent a collaborative tendering exercise in 2006 for disposal and processing of all household waste and recycling streams. The 15-year contract expires in 2024 and has saved the Councils collectively approx. \$20m/year in tipping fees.

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

Yes. All partner Councils have comprehensive budget models and long-term financial plans which itemise all operating/capital costs, incomes and committed reserves. Council's Waste and Finance teams closely monitor operational budgets and conduct annual budget reviews of the long-term financial plan to ensure it remains current.

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

The partner Councils preference is for a less intrusive regulatory approach. This approach allows more flexibility for Councils to meet the community's expectations of the DWM service.

The partner Councils support the development of pricing principles for setting DWM charges, as guidance for councils. However more clarification would be required on investigation and regulation methods to determine if this approach would be appropriate.

Rigid regulation of DWM charges would increase the risks of long-term financial planning and could result in DWM budget shortfalls if IPART's increase is not representative of the local costs to deliver DWM services. This would ultimately lead to the need for large increases to adjust income.

Regulatory approaches need to be flexible to achieve the goals of IPART whilst allowing Councils to manage an efficient and effective DWM service.

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

An additional approach for IPART's consideration is:

- The development of standardised templates for calculating DWMCs. It is anticipated that two templates may be appropriate:
 1. Councils that engage day labour and council-owned assets for collection.
 2. Councils that outsource their collection services.

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?

Variation within the state could be normalised via the use of the waste levy areas. Use of the waste levy area boundaries would account for some of the geographic challenges on DWM charges. The waste levied areas are (<https://www.epa.nsw.gov.au/-/media/epa/corporate-site/resources/wasteregulation/levy-area-map.pdf?la=en&hash=C00135E31055627BB8A41EAEB222864C2655B186>):

- Metropolitan Levy Area
- Regional Levy Area
- Non-Levied Area

Within each of the levied areas, a standard or base waste service could be created by surveying all applicable Councils allowing for a 'like for like' comparison of service offerings and DWM charges.

An indicator for Council's who provide additional or reduced services would be required to indicate whether a higher or lower than average service is provided.

A benchmarking approach would also need to consider additional transport costs some Councils would incur which are outside of their control.

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?

It is difficult to say if this will be an effective approach at this stage. It will be dependent on developing an effective reporting framework and pricing principles which accommodate the wide variety of Councils, the different operating costs and DWM services. Any proposed model would need extensive consultation with the industry and Councils.

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

Yes. The proposed approach of setting pricing principles and benchmarking Councils would be preferable. It is also important to note that compliance with both the principles and legislation is important, there should be a balance between auditing and IPART's proposed approach to ensure consistency across Councils.

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?

Some issues to be considered are:

- The wide variety of waste services offered throughout NSW e.g. how would weekly vs fortnightly collection services be benchmarked
- That Councils and ratepayers may be looking for different information when benchmarking
- The DWM related costs which are borne by Councils that are outside of their control

The data base could be created with a simplified and easy to interpret benchmarking page for ratepayers and a more detailed benchmarking page for Councils.

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

The Project 24 Councils currently use similar principles when reviewing the DWM operating budget and long-term financial plans.

In general, the partner Councils agree with the proposed pricing principles, however these principles require further clarification.

Points to be clarified include:

- To what extent is the user pays approach to be implemented?
- The definition of a social program. Social programs that are not related to DWM should be funded through General Rates, however programs that are related to DWM should be attributed to the DWM charge e.g. pensioner discounts.
- The definition of efficient costs. What is efficient for one Council may not be for another.

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

Yes, an additional pricing principle which could be included is:

'DWM service meets community expectations and preferences'

This principle while not purely price based would allow Councils to meet community expectations on issues such as environmental outcomes or service quality and continue to provide an efficient and effective service. DWM is an essential community service provided by Council and as such cost is not the only factor in determining value for money service.

Other issues that should be considered are:

- The impacts of geographic location on service delivery and DWM charges.

- The differing levels of access to services and service providers across the state.
- The cost of collection from an outlying property is more expensive than the cost of collection from a property closer to the disposal facility. A strict user-pay system would have the outlying property paying a higher fee for a kerbside clean-up.

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

Yes, this would provide Councils with valuable information which is required to tender for both collection and disposal services. Knowing who potential tenderers are, services provided, contract expiration dates for collection and processing/disposal, and the contract amount would aid in budgeting as well as service planning. A database like this would also facilitate joint procurement projects by providing a list of expiry dates.

Should you wish to discuss this response, or have any questions, please contact Corey McArdle via phone on [REDACTED]

Your sincerely

Corey McArdle
Manager, Waste and City Presentation, Camden Council