

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
Document Reference	c1e253a1-4210-41d3-97de-3be8f315fce7
1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?	<p>SSROC raises the following concerns on how councils calculate DWM charges and how the waste industry, legislation and regulation influence DWM charges:</p> <ul style="list-style-type: none"> • The methodology used to calculate DWM charges is inconsistent and is not standardised across councils in terms of what it can be used to fund. Some cost drivers that increase DWM charges are out of councils' control, and councils have limited leverage (beyond tendering). This affects how councils calculate DWM charges, including service costs, resource recovery and diversion from landfill. • The NSW waste levy, which has increased 148% over ten years from \$58.80 per tonne in 2009-2010 to \$146 per tonne in 2020-2021. This is greater than the rate peg or inflation, and has affected DWM charges. NSW reinvested only 11.5% of the waste levy collected in the 2018-2019 financial year back into the waste and resource recovery sector (compared to 66% in Victoria in 2017-18). This levy income is the most significant funding source for waste initiatives, so limiting this funding restricts the effectiveness of waste management and resource recovery. • The China Sword Policy has increased recycling processing costs, leading to a decline in commodity prices (particularly for mixed paper and plastics). Councils that used to be paid for recyclable materials now pay for

these materials to be collected and processed.

- Changing NSW Government regulations on Mixed Waste Organic Outputs (MWOO) through Mechanical Biological Treatment (MBT) has required some councils to invest in alternative solutions, increasing overall costs.
- High-density urban areas and multi-unit dwellings (MUDs) have forced some councils to invest in small rigid vehicles (SRV) to service these areas, which costs 3-4 times more to operate than heavy rigid vehicles (HRV). The cost and number of staff required to operate an SRV (3 staff) are higher than for an HRV (1 staff).
- Waste infrastructure for waste disposal and processing options is limited for SSROC councils and with Sydney's population set to grow in the next 20 years DWM charges will increase accordingly to manage higher volumes of waste.
- The NSW Government has expressed a strong interest in recovering organics. Any service changes related to organics recovery, whether voluntary or mandated by the 20YWS due to be released in 2021, will increase DWM costs, including feasibility studies, community engagement, implementation, collection and processing infrastructure, contract renegotiations, contamination management, and transport costs to processing facilities.
- The Australian Recycling and Waste Reduction Bill is likely to increase recycling costs for kerbside mixed paper and plastics, which dominate kerbside recycling due to a lack of domestic processing and end markets. Mixed paper and plastics may be treated as contaminants and landfilled by contractors due to a lack of end markets.
- Transport costs for waste disposal and processing are likely to increase in future with inadequate transfer and processing land and infrastructure within the SSROC region.

<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>In response to the above concerns SSROC recommends that:</p> <ul style="list-style-type: none"> • A set of guidelines be developed to standardise the methodology that councils use to calculate DWM charges. • The Department of Local Government Council Rating and Revenue Raising Manual (provided by the Office of Local Government) be revised to clarify what can be funded by DWM charges. IPART to provide clearer guidelines and definitions on how councils should calculate DWM charges, what costs are included, and what costs are not included. • IPART reviews the Local Government Act related to kerbside services to be more responsive to the community's demands and expectations as well as NSW government policies.
<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>SSROC does not agree with an online centralised database of all NSW councils' domestic waste charges. There are too many variables across the state including variations in service delivery, contract procurement and pricing to enable a uniform comparison to be made.</p> <p>If the purpose of the database is for councils and ratepayers to access information on DWM charges, this is already accessible through council websites, operational plans, annual fees/charges and rates notices.</p>
<p>4. Do you have any other comments on councils' domestic waste management charges?</p>	<p>Please refer to the document attached on SSROC's recommendations on how IPART should manage local council Domestic Waste Management Charges in the future.</p>
<p>5. Which Council do your comments relate to?</p>	<p>Bayside Council, Burwood Council, City of Canada Bay, City of Canterbury Bankstown, Georges River Council, Inner West Council, Randwick City, Sutherland Shire Council, City of Sydney, Waverley Council and Woollahra Municipal 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>SSROC submission on the IPART Local Council Domestic Waste Management Charges Discussion Paper FINAL.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>

First Name	Jenny
Last Name	Gustafson
Organisation Name	Southern Sydney Regional Organisation of Councils (SSROC)
Position	Regional Strategic Coordinator, Waste & Resource Recovery
Email	[REDACTED]
IPART's Submission Policy	I have read & accept IPART's Submission Policy



SSROC submission on the IPART Local Council Domestic Waste Management Charges Discussion Paper

For the attention of the IPART Tribunal Members:

Dr Paul Paterson
Ms Deborah Cope
Ms Sandra Gamble

Independent Pricing and Regulatory Tribunal
PO BOX K35
Haymarket Post Shop,
Sydney NSW 1240

Submitted Via the Review of Domestic Waste Management Charges online feedback and
submission form on Monday 19th October 2020



Introduction

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of eleven Sydney councils. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of over 1.7 million, or one-third of Sydney's population. SSROC councils manage over 20% of all NSW household waste, highlighting the central role that these councils play in waste management and resource recovery.

Our submission on IPART'S Local Council Domestic Waste Management (DWM) Charges Discussion Paper includes feedback from our councils within the timeframe available for this consultation.

Key recommendations

Our key recommendations include:

- SSROC strongly recommends that clear guidelines are developed and provided on the pricing principles and activities funded by the DWM charges. Such guidelines should also include eligible items that fall under waste avoidance and reuse in line with the waste hierarchy, circular economy and resource recovery initiatives. This will ensure councils continue to have the flexibility to implement solutions to support end markets, the waste industry and the environment.
- SSROC supports transparency and accountability across the Local Government Domestic Waste Sector. However, there are a number of concerns that would need to be considered for any benchmarking exercise. Benchmarking and publishing DWM charges across local government areas (LGAs) would not be useful in isolation. Each council offers different levels of domestic waste services based on the demographics, development types, densities and other considerations specific to each LGA, and publishing charges would very likely be politicised. The criteria on which each council's services are based often includes non-financial factors, such as accessibility, traffic reduction, council policy, waste management strategy and community feedback, which would be difficult and resource-intensive to benchmark in a meaningful way that is readily understandable by the public and elected officials.
- Councils are awaiting the release of the draft NSW 20-Year Waste Strategy (20YWS) due in early 2021, which will establish the future direction of NSW waste management, including landfill diversion and resource recovery targets. This will affect councils' future DWM charges and all domestic waste services. Given the current strategic uncertainty, it may not be an appropriate time for IPART to establish a method or framework for regulating DWM charges until there is more clarity around NSW Government waste policy and the regulatory framework.
- Domestic waste reserves are required to cover costs associated with changes in regulations, contracts, strategy, waste levy, weather contingencies (e.g. storms or wet weather events may increase organic waste), health emergencies (e.g. service disruptions or additional safety requirements due to COVID-19) and strategic investment in domestic waste services. However, guidance is required on reasonable or unreasonable amounts that could be included in the waste reserves for contingencies and long-term strategic investment in domestic waste services. This guidance should be informed by the 20YWS, international best practice and available data and research.



- When the 20YWS is in place, councils may need to transition to new waste streams such as the introduction of food organics (FO) and/or food and garden organics (FOGO) collection services, which will inevitably require at least \$100-\$200K per year for 3-5 years to fund community education, plus other considerable infrastructure and service outlays.
- The Local Government Act (section 496) defines the difference between a Domestic Waste Service and a Commercial Waste Service. However, it is not always clear to councils what can be funded under DWM charges; IPART DWM charge guidelines should address this ambiguity.
- SSROC recommends that the Department of Local Government Council Rating and Revenue Raising Manual¹ (provided by the Office of Local Government) be revised to clarify what can be funded by DWM charges.
- As an essential service provided to the community, waste services are peculiar in that they are delivered by local government and not given the same considerations as essential services delivered by state government (water and electricity). Less strategic planning for essential waste services results in downstream costs due to market disruptions, lack of competition, regulatory changes, and even innovation, which are borne by councils and their communities.

Questions relating to the IPART feedback and submission form:

1. Are there concerns with the price's councils charge for domestic waste management services? Why/why not?

SSROC raises the following concerns on how councils calculate DWM charges and how the waste industry, legislation and regulation influence DWM charges:

- The methodology used to calculate DWM charges is inconsistent and is not standardised across councils in terms of what it can be used to fund. Some cost drivers that increase DWM charges are out of councils' control, and councils have limited leverage (beyond tendering). This affects how councils calculate DWM charges, including service costs, resource recovery and diversion from landfill.
- The NSW waste levy,² which has increased 148% over ten years from \$58.80 per tonne in 2009-2010 to \$146 per tonne in 2020-2021. This is greater than the rate peg or inflation and has affected DWM charges. NSW reinvested only 11.5% of the waste levy collected in the 2018-2019 financial year back into the waste and resource recovery sector (compared to 66% in Victoria in 2017-18). This levy income is the most significant funding source for waste initiatives, so limiting this funding restricts the effectiveness of waste management and resource recovery.³
- The China Sword Policy has increased recycling processing costs, leading to a decline in commodity prices (particularly for mixed paper and plastics). Councils that used to be paid for recyclable materials now pay for these materials to be collected and processed.
- Changing NSW Government regulations on Mixed Waste Organic Outputs (MWOO) through Mechanical Biological Treatment (MBT) has required some councils to invest in alternative solutions, increasing overall costs.

¹ <https://www.olg.nsw.gov.au/wp-content/uploads/Council-Rating-And-Revenue-Raising-Manual-January-2007.pdf>.

² NSW Protection of the Environment Operations Act 1997- Section 88.

³ Legislative and Regulatory Reforms for Achieving a Circular Economy. Clayton Utz. 2020.



- High-density urban areas and multi-unit dwellings (MUDs) have forced some councils to invest in small rigid vehicles (SRV) to service these areas, which costs 3-4 times more to operate than heavy rigid vehicles (HRV). The cost and number of staff required to operate an SRV (3 staff) are higher than for an HRV (1 staff).
- Waste infrastructure for waste disposal and processing options is limited for SSROC councils and with Sydney's population set to grow in the next 20 years DWM charges will increase accordingly to manage higher volumes of waste.
- The NSW Government has expressed a strong interest in recovering organics. Any service changes related to organics recovery, whether voluntary or mandated by the 20YWS due to be released in 2021, will increase DWM costs, including feasibility studies, community engagement, implementation, collection and processing infrastructure, contract renegotiations, contamination management, and transport costs to processing facilities.
- The Australian Recycling and Waste Reduction Bill is likely to increase recycling costs for kerbside mixed paper and plastics, which dominate kerbside recycling due to a lack of domestic processing and end markets. Mixed paper and plastics may be treated as contaminants and landfilled by contractors due to a lack of end markets.
- Transport costs for waste disposal and processing are likely to increase in future with inadequate transfer and processing land and infrastructure within the SSROC region.

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?

In response to the above concerns SSROC recommends that:

- A set of guidelines be developed to standardise the methodology that councils use to calculate DWM charges.
- The Department of Local Government Council Rating and Revenue Raising Manual⁴ (provided by the Office of Local Government) be revised to clarify what can be funded by DWM charges. IPART to provide clearer guidelines and definitions on how councils should calculate DWM charges, what costs are included, and what costs are not included.
- IPART reviews the Local Government Act related to kerbside services to be more responsive to the community's demands and expectations as well as NSW government policies.

⁴ <https://www.olg.nsw.gov.au/wp-content/uploads/Council-Rating-And-Revenue-Raising-Manual-January-2007.pdf>.



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 (e.g. kerbside collection), and/or set principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?

SSROC does not agree with an online centralised database of all NSW councils' domestic waste charges. There are too many variables across the state including variations in service delivery, contract procurement and pricing to enable a uniform comparison to be made. If the purpose of the database is for councils and ratepayers to access information on DWM charges, this is already accessible through council websites, operational plans, annual fees/charges and rates notices.

Questions for discussion and feedback: research and analysis

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?

An increasing waste levy is a primary driver of the increase in DWM charges. In the last 10 years, the waste levy has dramatically increased by 148%⁵ from \$58.80 per tonne in 2009-2010 to \$146 per tonne in 2020-2021. Partially as a flow-on effect of this, councils have been forced to increase DWM charges.

The higher cost of recycling processing technologies, urban densification and the complexities and frequency of servicing large-scale developments, challenges of tailoring services for a range of dwelling types, and compromised end markets for recycled materials have also contributed to the increase in DWM charges. These include the China Sword Policy, NSW container deposit scheme (CDS), changes in waste and recycling processing services and available technologies, NSW Government regulations and increased waste monitoring and reporting requirements, contract contamination penalties, council amalgamations, delayed state-wide investment in facilities and the 20YWS and, more recently, COVID-19.

Since 2013, the NSW Environment Protection Authority (EPA) has provided funding to levy-paying councils for waste management and resource recovery activities through the Waste Less Recycle More program. This funding has decreased by 43% from \$68.8 million (2013-2016) to \$39 million (2017-2021) over the two four-year cycles even while the waste levy has significantly increased.

There is increasing pressure on local councils and waste contractors to save costs by consolidating waste collection through compaction. As contractors increase compaction rates to create cost-efficiencies in transportation, resources become increasingly difficult to separate and recover at materials recovery facilities (MRFs), sometimes leading to the perverse outcome of increased landfilling driven largely by price. Therefore, all price considerations must take into account the impact on landfill and resource recovery rates.

⁵ NSW Environment Protection Authority, Historical waste levy rates in the Regulated Area. <https://www.epa.nsw.gov.au/your-environment/waste/waste-levy/levy-regulated-area-and-levy-rates>



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

Councils set their strategic direction and waste service levels using waste and recycling strategies and management plans. These plans are normally adopted by elected councils and are reported on as part of the Integrated Planning & Reporting (IP&R) Delivery and Operational Plans. All councils place high importance on meeting their communities' expectations and service levels.

Council amalgamations have affected DWM charges: some councils still have two or three legacy DWM charges from pre-amalgamated councils who offered different types of bin services (e.g. some councils offer a paper only collection). Changes in councils' future waste contracts, including the potential for the NSW Government to mandate FO and/or FOGO collection services, will increase DWM charges due to the need for more infrastructure and education investment, higher collection and processing costs, population growth, dwelling type and urban densification.

In Sydney, the increasing proportion of multi-unit dwellings (MUDs) is increasing the cost of tailored waste and recycling services. For example, SRVs are more appropriate than HRVs for accessing basement or underground carparks in MUDs where kerbside collections are not possible. One SSROC council reported comparing the cost of investing in SRVs to service waste collection in MUDs as being twice the cost of an HRV over a 10-year period. Councils are also responsible for managing increasing volumes of clean-up collections and bulky waste services for MUDs. These challenges illustrate the difficulties in making a valid comparison based on benchmarking services and fees between councils with different service offerings.

Benchmarking for the purpose of standardising DWM charges would require the ability to compare different waste service levels, housing type, density, accessibility, waste streams and bin capacity between councils. This would be a fraught and resource-intensive undertaking that is unlikely to provide a complete and equitable picture of the different requirements and services needed in each LGA.

To meet community expectations for cost-effective services, some councils may try to maximise efficiencies through minimising the travel distance of trucks and sometimes sharing collection capacity across domestic and non-domestic services, which is proportionally expensed.

3. a) Is there effective competition in the market for outsourced DWM services?

There are a very limited number of service providers for processing and disposing putrescible waste (red-lidded bin) and processing dry recyclables (yellow-lidded bin), reducing competition. Councils are increasingly exploring regional procurements to increase their leverage with respect to a small number of larger suppliers, who are disproportionately able to dictate contract terms. For example, Veolia's recent bid to buy a 29.9% stake in Suez may lead to even less competition in the market without intervention by the Australian Competition and Consumer Commission (ACCC) or other authorities, which would further reduce councils' leverage in the market.



b) Are there barriers to effective procurement?

SSROC believes there are barriers to effective procurement. The Local Government Act 1993 (section 55) provides councils with parameters around procurement to ensure that a fair and transparent process is followed for tenders over \$250,000. Many barriers are created around the scope of work (specifications) for services that are tendered. Some councils tender for a variety of services then select their service combination after viewing pricing, which can add to overall costs. Also, the apportioning of risk between the contractor and councils can minimise cost-competitive pricing. Councils often do not have access to industry data to help guide tenders, contracts, and strategic investment as much of it is deemed to be commercial in confidence and protected by the Protection of the Environment Operations Act (POEO Act).

Councils often seek advice from the ACCC when conducting procurements for three reasons:

1. Individual councils are immune from ACCC anti-competition restrictions as they are conducting business as a not-for-profit entity, but the other party is not immune;
2. The Local Government Act does not provide guidance for collective or joint local government procurements, so applicability of ACCC restrictions comes down to the value and effect of the contract and whether it reduces competition; and
3. Local governments are not immune according to Part IV of the Trade Practices Act 1974.⁶

Councils may also receive different legal advice on contracts from different legal advisors as guidelines on antitrust exemptions, particularly for joint procurements, are not provided.

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

There is ambiguity over what activities are eligible to be funded by DWM charges and what constitutes ineligible overhead expenses.

SSROC recommends that the Department of Local Government Council Rating and Revenue Raising Manual⁷ (provided by the Office of Local Government) be revised to clarify what DWM charges can be used to fund and particularly clarify what overhead expenses can be included.

Questions for discussion and feedback: Regulation

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

IPART regulating DWM charges may not be the most efficient approach because it would add another layer of complexity and resource-intensive data collection and reporting to a system that is already regulated. SSROC would welcome the opportunity to bring our councils and IPART together to discuss in more detail than this consultation period allows

⁶ <https://www.legislation.gov.au/Details/C2010C00331>

⁷ <https://www.olg.nsw.gov.au/wp-content/uploads/Council-Rating-And-Revenue-Raising-Manual-January-2007.pdf>



what the most efficient approaches would be and suggests that further consultation would be appropriate after the release of the draft 20YWS.

Regulating DWM charges is likely to restrict the flexibility of councils to meet the different needs of communities and curtail their ability to address contingencies outside councils' control without having to apply for a special rate variation.

Councils need to be able to tailor their domestic waste service to meet community expectations, different streetscapes, housing types and socio-demographics. For example, inner city services require smaller trucks to adequately service domestic waste when compared to a council with a similar number of properties but wider streetscapes. The type of vehicle used to service domestic waste can differ depending on the housing type, accessibility and landscape of the LGA. Creating a 'one size fits all' approach does not take into consideration the different requirements of each LGA.

A publicly available comparison tool could potentially create negative media for councils and lead to the politicisation of the DWM charge and associated waste services by parties who do not fully understand how they work. However, it would be useful in terms of understanding the methodologies used by other councils to develop their DWM charges.

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

SSROC recommends the following approaches:

- Provide a revised list of specific pricing principles for DWM charges aligned with councils' waste strategies and the 20YWS as the current guide is ambiguous and often requires an auditor's interpretation. The Local Government Act is ambiguous about DWM charges, and neither LGNSW nor OLG can assist with interpretation.
- Broaden recycling activities to include waste avoidance and reuse consistent with the waste hierarchy. SSROC recommends collaborating closely with the NSW EPA and DPIE teams leading development of the 20YWS to ensure that the list of items reflects the priorities outlined by the NSW Government. For example, the 20YWS Issues Paper indicates that waste avoidance and circular economy principles will underpin the 20YWS; therefore, the list may need to be expanded to include these activities.
- Review and update the Department of Local Government Council Rating and Revenue Raising Manual (2007).
- Provide clearer guidelines and definitions on how councils should calculate DWM charges and on what overhead costs can be covered.



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 discussed above, it is very difficult to benchmark across different councils as individual council waste services vary significantly, which paints an incomplete picture easily misunderstood by the public and elected officials. A margin of error or a wide range of tolerance levels would be required as LGAs differ by density, development types, socioeconomics, population, age of infrastructure, overheads, salary systems, asset management and contract versus day labour. However, even with a margin of error, SSROC would not recommend a benchmarking approach as it would be very resource-intensive for both IPART and councils to collect that data and, even if the best attempts were made, this would still very likely produce an incomplete picture, potentially leading to poor outcomes for IPART and councils.

It is also important to note that councils have differing levels of political appetite for waste services and risk. Some are willing to bear the risk of investing in trials or new waste processing technologies or services, whereas others are more risk-averse for a variety of reasons (e.g. aging infrastructure or managing legacy issues such as old landfill or recycling sites).

Moreover, waste services vary between metropolitan and regional councils, as demonstrated by different waste levies charged in metro and regional areas.

If benchmarking were to be used, it may be beneficial for benchmarking land uses with wide ranges and tolerances. This could help councils identify efficiencies and deliver better services. SSROC does not recommend benchmarking for regulatory outcomes as the first resort so much as for enabling a comparison of services. Benchmarking by land use may assist with leveling and standardising disposal costs, collection costs, categories of education, and percentage of land used. SSROC also recommends utilising consistent data collection and reporting methodologies between councils (e.g. weight vs volume).

If guidelines (or other approaches) are to be implemented to better manage DWM charges, councils will need a transition period of at least minimum of 3-4 years, versus the 2-year period recommended in the Discussion Paper, to give councils time to transition and adopt the guidelines as councils set fees and charges at different times of the year.

SSROC recommends that guidelines for calculating DWM charges be based on:

- Collection costs – collection contracts and plant/vehicle costs;
- Disposal costs – domestic waste, recycling, clean-up, garden waste, transport and processing fees, and hazardous waste (asbestos);
- Staff costs and council overhead charges;
- Resource recovery education programs;
- Waste strategy and contract development activities;
- Capital purchases – vehicles and bins;
- Day-to-day administrative costs;
- Materials required to provide services;
- Other costs including legal, media/communication, consultancy and remedial work.



Questions for discussion and feedback: Reporting and Pricing Principles

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?

SSROC recommends further consultation with councils on how to improve transparency and accountability without significantly increasing the current reporting and monitoring requirements that councils already undertake to operate and manage domestic waste services. There seems little value in developing a reporting, monitoring and benchmarking approach if the information is not beneficial to operations and positive outcomes. SSROC suggests guidelines as a more appropriate and effective method moving forward.

A benchmarking approach would need to incorporate data on efficiency and productivity. For example, a council may pay a slightly higher charge for a service that provides improved environmental benefits, such as a higher recycling rate or lower greenhouse gas emissions, which would also need to be communicated to ratepayers.

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

SSROC councils have requested further clarification on the benefits of auditing to achieve consistency of DWM charges across NSW.

SSROC councils have financial audits conducted on a yearly basis by an external auditor; DWM charges are included in these audits as a requirement under the Local Government Act. As councils are already conducting audits, there seems little benefit in duplicating this process. Additionally, councils already report DWM charges and waste and recycling data to the NSW EPA on a yearly basis.

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?

SSROC does not support the proposal to develop a centralised database to benchmark performance on DWM charges. Councils put DWM charges on public exhibition every year as part of their operational plans and budget processes. They are also published on councils' websites and rates notices. As explained above, a simple centralised database will not accurately represent quality or effectiveness of services.

Domestic waste services vary between councils, which can be influenced by politics and community expectations. Some councils are risk-averse, and some are self-insured, which impacts the level of risk councils are willing to bear and makes it difficult to compare like services. For example, some councils use day labour, some outsource services, and some utilise a hybrid model.



Questions for discussion and feedback: pricing principles

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

a) DWM charges should reflect a 'user pays' approach

The 'user pays' approach has been explored by a number of councils and has been used as a price incentive for residents to use smaller bins. To fully understand how a 'user pays' system might work requires an understanding of the primary cost drivers to provide the service. For example, if a resident were to select a smaller bin to save money, they would only save on the cost of disposal, as the cost of collection (i.e. transport, wages) would remain the same. A smaller bin may require a different truck with small nibs to collect the bin, which would increase costs above the original standard service.

The 'user pays' approach could have adverse effects on the type of domestic waste services councils are able to offer. It could increase undesirable behaviour, such as dumping waste in a neighbour's bin and increase the incidence of illegal dumping. SSROC does not support changes to 'uberise' the waste industry as it will increase costs and create further issues for councils to monitor and regulate.

Splitting domestic waste services into red-lid, yellow-lid, green-lid and clean-up service costs may be convenient but making this publicly available will not add value. Also, it is almost impossible to adopt a 'user pays' service as the technology that can accurately weigh bins for the purpose of charging is not currently available.

However, this approach may be appropriate in the case of hard rubbish/clean-up services as not all residents use this service. Some councils already adopt a 'user pays' approach for hard rubbish clean-up services: two collections are included in the DWM charge while households pay extra for additional clean-ups.

b) Only reasonable cost categories should be reflected in DWM charges

Councils have already applied reasonable cost categories. Establishing a standard methodology for pricing principles and an understanding of cost drivers aligned to councils' waste strategy and Long-Term Financial Planning (LTFP) for waste services would improve transparency and accountability.

c) DWM charges should reflect efficient costs

By its nature, cost recovery is as efficient as councils can achieve and cost is not the only factor in how DWM charges are determined. Other contributing factors include:

- The type of domestic waste service provided to ratepayers;
- Efficiency, including best value and a holistic approach suited to the services most appropriate to the LGA;
- Quality of service in collecting ratepayers' bins on time;
- Maximising diversion from landfill and resource recovery;
- The cost the community is willing to pay to get a good service (bins timely emptied, high rates of recovery, low levels of administrative management and ongoing costs)
- NSW Government policy changes and uncertainty.



The cheapest contract might result in more staff and overheads to manage, so the cheapest contract can have a ripple effect on customer service complaints, requiring more staff to manage complaints and administration. This may end up costing more and adversely affecting a council's reputation. Additionally, some SSROC councils have reported challenges with developers that have private collection services but also want to access councils' services via the DWM service.

The discussion paper refers to 'length of contracts' as a potential barrier to achieving an efficient cost. The NSW EPA has stipulated as a guideline for receiving Better Waste and Recycling Funds that councils are not able to enter into a landfill disposal contract for more than 5 years. This does not provide certainty in the market, especially with the recent revocation of the exemption on Mixed Waste Organic Outputs (MWOO). Local government is relying on the NSW EPA to waive the Section 88 levy on material going through an Alternative Waste Treatment (AWT) facility. Councils would not have been able to budget for this added cost or regulatory uncertainty when they set DWM charges.

d) DWM charges should be transparent

Putting DWM charges on public exhibition, in council operational plans, budget process, councils' websites and rates notices, as is currently done, is already a transparent process.

e) DWM charges should seek to ensure price stability

Waste is not a stable industry (as demonstrated above). There are too many industry changes that drive up the cost of waste management as well as legislative/regulative variables out of councils' control to be able to ensure price stability and/or control over how councils calculate their DWM charges.

f) How should DWM charges be structured?

SSROC recommends that guidelines be used for calculating DWM charges based on:

- Collection costs – collection contracts and plant/vehicle costs;
- Disposal costs – domestic waste, recycling, clean-up, garden waste, transport and processing fees, and hazardous waste (asbestos);
- Staff costs and council overhead charges;
- Resource recovery education programs;
- Waste strategy and contract development activities;
- Capital purchases – vehicles and bins;
- Day to day administrative costs;
- Materials required to provide services.

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

SSROC recommends that the following pricing issues are considered:

- Pricing is not the only factor used to determine DWM charges;
- Council demographics affect how DWM charges are calculated;



- Councils may require specialised vehicles or services with different maintenance and running costs;
- Councils may be willing to accommodate different levels of risk associated with domestic waste management services. Existing collection infrastructure, political factors, community expectations and service levels are contributing factors in whether the domestic waste service is contracted out or day labour is used
- Policy and regulatory uncertainty increase service costs due to the inability to forward plan as well as costs associated with risk mitigation.

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?

This information is already accessible through council websites. A centralised database for DWM service contracts would not be beneficial for the following reasons:

- It would increase unwarranted public scrutiny by those unfamiliar with how it works;
- It would decrease collaboration and increase competition between councils;
- Domestic waste collection and servicing contracts cannot be compared between councils with different servicing arrangements;
- For some services councils use a preferred supplier list. This may assist with increasing competitiveness between contractors, but these prices do not guarantee the service and are usually used for smaller items. Therefore, suppliers may decide to include additional allowances in their prices as they may not get guaranteed work through the preferred supplier list. However, successful tenderers are guaranteed the work.

SSROC recommends that IPART clarifies how the information obtained from stakeholders will be used and how it will inform DWM charges moving forward. SSROC respectfully suggests that IPART considers that feedback received from local government through this review may not be adequate for the purposes of the review due to the many challenges councils are currently facing, including COVID-19, substantial market changes (China Sword Policy and export bans) and policy uncertainty with the delayed release of the 20YWS.

Thank you for the opportunity to provide feedback on the IPART DWM Charges Discussion Paper. If you have any enquiries, please do not hesitate to contact me on

[Redacted contact information]

Yours faithfully,

[Redacted signature]

Helen Sloan

Acting General Manager

Southern Sydney Regional Organisation of Councils (SSROC), Inc