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27 April 2022

Review of Domestic Waste Management Charges
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Email: ipart@ipart.nsw.gov.au

Dear Sir/Madam

RE: Review of Domestic Waste Management Charges – Submission

The Bega Valley Shire is located at the south-eastern corner of New South Wales, approximately halfway between Australia's two largest cities, Sydney and Melbourne, and a three-hour drive from Canberra. Our coastal fringe extends from Wallaga Lake in the north to Cape Howe and the Victorian border in the south – a total of 225 kilometres, which is interspersed with opportunities for farming, manufacturing, health and social services, retail and tourism. There are over 33,000 people that call the Bega Valley home, and with that comes many waste management challenges and opportunities.

Over the past 10 years, Council have worked diligently to improve the standard of our waste infrastructure and services. Our adopted waste strategy concentrates on waste reduction and investment in diversion. Despite this strategy, waste generation rates in the community are continuing to increase and so does the intrinsic value of our landfill airspace. Our levels of waste diversion are lagging behind state and federal targets, and there remains a considerable need for Council to further invest in waste management to deliver against the objectives and targets envisaged by the NSW Government's Waste and Sustainable Materials Strategy 2041 (WaSM).

To fund waste services, Bega Valley Shire Council (BVSC) apply charges aligned with our revenue policy, which is reviewed and adopted annually. To reflect the desire of our community to have an affordable, practical waste management service, Council's revenue policy has multiple domestic waste charges, based on property type and choice of bins and sizing. Charges are set to meet the reasonable costs of the service and are subsequently altered annually as part of the Integrated Planning & Reporting (IP&R) process. Unfortunately, there appears to be a high level of inconsistency across NSW Councils on how Domestic Waste Management (DWM) charges are applied.

Updated and clearer guidance on what should be included (or excluded) from the DWM charge is the simplest and most efficient way to provide transparency to residents and consistent allocation of costs. The current definitions and guidance on what should be included in the DWM charge are outdated and do not reflect modern waste management activities, nor provide for the activities that are likely to be required to enable the transition to a circular economy as per the NSW Government's vision outlined in the NSW Waste and Sustainable Materials Strategy.

The first step should therefore be to update definitions such as 'domestic waste management service,') with the Local Government Act 1993 and in the associated Council Rating and Revenue Raising Manual, noting that this is generally reflected as an objective of IPART's proposed pricing principles.

Upon review of IPART's Draft Report, Council now seeks clarification on the proposed Principle no. 5, which suggests that *any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility*. Certainly, Council strives to avoid price volatility in its domestic waste charges, however IPART need to consider the retrospective decisions of Council on behalf of the community, and how these impact agreed commitments to improvements in levels of service. Reflective of financial modelling and strategic planning outcomes, Council needs to retain the ability to recover and hold funds in reserve based on future planned activities as opposed to relying on borrowings to fund expenditure and recover costs post service implementation.

With respect to modelling DWM charges, there are a range of extraordinary factors that will continue to influence the delivery of waste services and councils' ability to meet community expectations. These include:

- The rollout of the NSW Waste and Sustainable Materials Strategy (WaSM).
- The effects of the China Sword policy and bans on the export of other waste materials.
- Increasing costs and overheads for councils including fuel and electricity. This is coupled with uncertainty around future increases because of COVID-19, disruption to global supply chains and compounding local economic pressures and leading to an increasing CPI.
- Increasing staff wages. These will increase by 2% in accordance with the LG Award on 1 July 2022.
- The impact of the 0.7% baseline rate peg handed down by IPART for this year.
- Concern around climate change which will continue to influence community sentiment towards increased resource recovery.
- The need to move toward a circular economy to minimise resource loss whilst driving innovation and opportunity.
- The increasing cost of managing waste resulting from climate change driven natural disasters.
- Existing monopolies within the waste industry which limit Councils' capacity to negotiate contract costs.
- Anticipated high costs and extended lead times for the approval and construction of new disposal facilities due to changing legislative and planning regulations.

From Council's perspective, the proposed 'peg' approach by IPART has the following negative implications:

- It incentivises Council to do as little as possible and to prioritise cost over innovation and delivering best-practice services.
- It poses a significant barrier to delivery of both Council and WaSM targets, and the services required to achieve those.
- The proposed peg of 1.1% does not reflect the real costs being faced by Council in the coming year. For example, the increase in CPI, and the dramatically increased prices of fuel.
- Council has already consulted with our communities as part of our strategic planning and identified a strong community expectation for higher resource recovery and, in many cases,

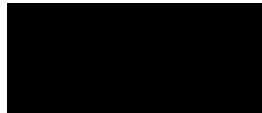
a willingness to pay for additional services. This is reflected in our long-term financial planning.

- As Councils inevitably exceed the voluntary peg, pressure will build on IPART to make the voluntary peg mandatory.

In August 2020 IPART released a DWM charge review Discussion Paper, which proposed benchmarking waste-related costs across Councils. Under this approach, Councils would have a 2-year grace period to rebalance the DWM charge with general rates based on clear pricing principles. The general rates base peg would be applied to the new level of general rates after rebalancing. Although this approach appears fairer than a proposed peg, Council is concerned that our waste costs may vary significantly from benchmarked costs due to service level, density, demographics, and timing of service introductions compared to other Councils, etc.

Overall, Bega Valley Shire Council seeks to provide a practical and affordable domestic waste management service to residents that is cost-reflective, sustainable, and well-defined. We trust that this will remain a core focus of IPARTs review of DWM charges, we welcome the opportunity to provide a submission to the Inquiry.

Yours sincerely



Anthony McMahon
Chief Executive Officer