

SUBJECT Submission on Review of Domestic Waste Management Service

Thank you for the opportunity to provide feedback on the Draft Report - Review of Domestic Waste Management Charges - 13 December 2021.

Blue Mountains City Council has reviewed the proposed approaches in the discussion paper from IPART.

While we were disappointed with the three draft decisions that surfaced after the feedback from the last consultation, our submission focuses on the merits of pricing principles and transparency and advocates strongly for this to be our preferred approach. It discusses the demerits of moving to a “benchmark peg”.

The City of Blue Mountains is located on the western fringe of Metropolitan Sydney and is one of only two cities in the world surrounded by a World Heritage Area. This presents additional responsibilities, challenges, and costs for the Council when it comes to waste and resource management. Waste services need to be provided to over 34,000 households in 27 towns and villages spread over 100km. This ribbon-like development leads to higher kilometres travelled per bin collection than more compact local government areas and further transport distance to markets for recycled materials. This influences the cost of providing kerbside services to our community and ultimately the Domestic Waste Charge Council sets. We remain concerned that there is no similar council to Blue Mountains to benchmark us against. Any attempt to force a comparison with a ‘similar’ council will present challenges and provide misleading outcomes.

It should be noted that waste and recycling costs are likely to further increase given skyrocketing fuel costs, costs associated with export bans, annual increases in the amount of the superannuation guarantee levy, annual increase in the waste levy, the cost of clean up after floods/pandemic and other natural disasters, the continual reduction of waste levy returns (via BWRP) that previously supported education, engagement, and recycling, and reduce value of recyclables. The combination of these impact means that without significant financial support from State or Federal governments future rising domestic waste charges are inevitable for not only Blue Mountains Councils but all NSW councils.

Council is confident in the annual processes and documentation it uses to determine the annual domestic waste charge. This reflects true and reasonable cost calculations for providing the service and is a transparent, reasonable, and efficient process. Council supports annual reporting, transparency, accountability, and guiding pricing principles via a simple and streamlined spreadsheet.

Council opposes setting a benchmark peg and has the following implications and concerns:

- It would prioritise cost over all other factors including innovation, waste minimisation, resource recovery, service enhancement and best-practice services.
- Poses a significant barrier to delivery of federal, state, regional and local council targets including the NSW Waste and Sustainable Materials Strategy targets.
- Increases risk to the successful roll-out of new services such as FOGO, which the EPA has mandated by 2030. Despite the EPA's grant program for Council's to implement FOGO, DWCs may have a significant impact.
- The peg does not allow for the combination of CPI, the recent sudden rise in petrol prices, sudden changes in inflation, the recent increase in the Local Government Award, and planned increases in the DWM charge that are already included in budgets.

- Being named by IPART in an annual report for raising the DWM charge above the peg, regardless of the reasons, or applying for a time-consuming special rate variation to avoid this, risks a community and media backlash. This may also undercut establishing social license for a new service, increase planning time, and create delays in service introduction. A “name and shame” approach is not an appropriate public policy mechanism.
- Council has consulted extensively with our communities as part of our strategic planning and has consistently identified a strong community expectation for higher resource recovery and continual improvement to current services. Evident in the Blue Mountains is a highly engaged and sustainable community striving to do better.
- The peg further entrenches and widens the gap between councils with relatively low DWM charges and councils with relatively high DWM charges, allowing the latter to continue levying high charges and increasing these at a higher annual increment than councils with lower DWM charges.
- As more councils inevitably exceed the voluntary peg proposed, pressure will build on IPART to make the voluntary peg mandatory which will be to councils’ detriment.
- A voluntary peg encourages council to push up cost by at least the peg percentage. It also will encourage any council who are going to exceed the peg to push through significant larger increase to minimise the risks of future breaches. This passes unnecessary financial hardship onto our communities and disincentivise councils to take a reasonable cost approach.
- Reports have consistently shown that the existing IPART pegging on council’s is having detrimental effects on both councils and communities. Some examples that have come to this conclusion are the NSW Productivity Commission’s Green Paper on Productivity Reform, Henry Review of Taxation, the NSW Treasury Corporation’s assessment of the financial sustainability of NSW councils and the NSW Independent Local Government Review Panel’s Final Report. Where this approach (rate pegging) has been clearly demonstrated to have failed, the logic in seeking to extend it further must be questioned.

Blue Mountains Council’s supports merits of pricing principles, transparency, and accountability. However, we have significant concerns around any proposals to benchmark particularly with a name and shame agenda. Council also opposes any form of annual peg. A peg will not allow us to be more flexible and effective in adjusting the domestic waste charge moving forward to continue to accommodate the delivery of high-quality waste and recovery services that meet state government mandates, local strategic objectives and most importantly community expectations.