

# IPART Review of Domestic Waste Management (DWM) Charges Draft report December 2021

April 2022



**CENTRAL NSW  
JOINT ORGANISATION**

Bathurst  
Blayney  
Cabonne  
Cowra  
Forbes  
Lachlan  
Oberon  
Orange  
Parkes  
Weddin



Central NSW  
Joint Organisation

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Chair Cr Kevin Beatty, Mayor, Cabonne Council

28 April 2022

Reference: jb:vp 220428

Enquiries: Ms J Bennett: [REDACTED]

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

To whom it may concern,

### **Re: IPART Review of Domestic Waste Management (DWM) Charges**

Local Government Regional Joint Organisations (JOs) were proclaimed in May 2018 under the NSW Local Government Act 1993. The Central NSW Joint Organisation (CNSWJO) represents over 200,000 people covering an area of more than 50,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Oberon, Orange, Parkes, Weddin, and Central Tablelands Water.

Tasked with intergovernmental cooperation, leadership and prioritisation, JOs have consulted with their stakeholders to identify key strategic regional priorities. The CNSWJO Strategic Plan can be found here: [https://docs.wixstatic.com/ugd/51b46b\\_31886650ecf546bc916f15e99a733b3e.pdf](https://docs.wixstatic.com/ugd/51b46b_31886650ecf546bc916f15e99a733b3e.pdf)

Our Member Councils report the incredible complexity of the challenges faced by councils and communities in the area of waste management services. We are at a crucial point in time for the waste industry, as our region transitions from a linear to a circular economy, with the need for robust markets to deliver innovation, and new industries into the future which are currently lacking in many regional areas.

We note that IPART is proposing benchmarking Domestic Waste Management (DWM) Charges and considering the possibility of an individual DWM Charge peg.

*The benchmark waste peg would not prohibit councils increasing charges above the peg. But it spotlights these increases and would encourage councils to explain to their ratepayers the reason for the increases. Councils can recover the costs of providing waste services and are also accountable to their ratepayers. We would review the councils' information about cost drivers and where councils cannot justify the increase in their charges, we may consider regulating the individual council's charges or implementing a binding waste peg.*

Key comments raised in the Draft Report include:

*The Central NSW JO speaks for over 157,000 people covering an area of more than 47,000sq kms comprising of Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Oberon, Orange, Parkes, and Weddin.*

- IPART to propose the publishing of an annual “benchmark” non-binding waste peg, which is intended to inform rate payers and Councils on how much the reasonable cost of providing DWM services should be year to year.
- IPART propose to publish an annual report that highlights Councils that have increased charges more than the benchmark waste peg, this will include Council’s explanations for the increases in order to provide greater transparency to rate payers, Councils, and IPART.
- IPART recommends that the Office of Local Government (OLG) provide guidance to Councils through pricing principals in their Council Rating and Revenue Raising Manual on how to set DWM charges ensuring costs reflect value for money and best value for ratepayers.
- The regulatory approach would involve a proposed reporting, monitoring, and bench marking regimes developing a publicly made available comparison tool to compare DWM charges across comparable councils and pricing principals.
- Councils indicated many contributors to increases in DWM charges are external cost drivers out of their control, with little investment by NSW Government regarding waste recycling and processing infrastructure.
- In contrast ratepayers indicated their support for detailed regulation of DWC and the introduction of publicly available benchmark comparisons.
- Industry was not in favour of IPART intervention because they consider the market as competitive, and charges are cost reflective.

Where members may provide individual responses the Central NSW Joint Organisation provides the following.

**IPART will have the power to regulate individual Councils who cannot justify their increase in DWM charges – the waste peg would be then binding to the Council in order to set the DWM charges. Should IPART have the power to undertake this individual Council regulation if not satisfied?**

CNSWJO strongly disagrees that IPART should have the ability to regulate the waste peg and make it binding. Granted, IPART should be able to review and advise Councils on their decisions, however, many Councils have individual circumstances that differ completely from adjoining “comparable” Councils. Some of these differing factors include the following:

- The existing rate base in which the Council works upon to deliver DWM services
- Landfill charges and fee structures – not any one is the same as they reflect local conditions, project approval and licence requirements and remaining landfill capacity.
- Contracted kerbside services and processing charges – CPI and Rise and Fall provisions will exceed the proposed Waste Peg.
- Existing contracts – pre-existing, or new, and the life and terms of such contracts
- Introduction of new services or new and upgraded waste sites servicing diverse communities.
- The purchase of new or large fleet items, landfill cell development, capping and rehabilitation of sites all with unique characteristics and the time to budget for them
- Council population, size, and the service activities it provides.
- Geographical location, remoteness, and socio economics and access to markets.
- Suitable fund reserves and future works planned.

CNSWJO recognises the role of IPART regarding the review of DWM charges, and that fairness should above all be adhered to in the process. CNSWJO believes that IPART is not sufficiently equipped to implement such changes when the comparable elements of each Council differ so much. Councils are adequately equipped and in the best position to review its own DWM charges, and understand the service levels required to meet strategic and operational needs in line with EPA State targets.

**IPART will publish an annual Benchmark Waste Peg (non binding) to give guidance to rate payers and Councils on how much the reasonable cost of providing DWM services should charge year to year. If the charges are increased more than the benchmark waste peg, then the Councils will need to explain these reasons. This may see negotiation possibly move into a public forum to provide greater levels of transparency for discussion which has been historically off limits for ratepayers. Should ratepayers have more opportunity to influence the setting of DWM service charges, and should IPART report these explanations in a public forum?**

CNSWJO does not generally agree that this course of action is warranted. It is currently unclear what form the reports will take, what information will be made available publicly, and what pertinent information it will contain. Councils are already obliged to advertise their proposed fees and charges annually under the Local Government Act. These fees and charges are set within an integrated planning and reporting framework, so already provide full disclosure and transparency of the levels of service and the costs to its constituents.

Ratepayers already can influence DWM charges via the Council Operational Plans, which are on public exhibition annually for 28 days. Costs that can be benchmarked between Councils and suggesting to the community that all Councils should be comparable, does not present a true reflection of the local conditions. Councils provide highly variable levels of service to their communities, with many costs impacted by the Council's locality (e.g. proximity to Sydney, major centres, or commodity markets). CNSWJO believe the current systems in place are adequate and effective, without additional regulation required by IPART.

**China's National Sword policy is an external cost driver causing waste price increases.**

Most Councils agree China's National Sword policy has impacted local services with increased recycling and processing fees passed onto Councils. The recycling product market is completely out of the control of Council, and costs must be adjusted to meet the needs of the services they are attached to. It is hopeful that the domestic market for recyclable material will increase with the China Sword ban, however, Councils are still very much at the mercy of large processors (VISY Australia) to accept their products. These costs are passed on to the ratepayer, and neither IPART, Council or the ratepayer can readily influence the recycling cost percentage that makes up DWM charges, it is simply passed on.

Councils in general will always support the continuation of kerbside recycling services if affordable. The alternative is sending recyclables to landfill. If recycling services can be accommodated and supported in the DWM charge, then this is a good example of ratepayers already being able to be part of the pricing versus service model. It is hoped that Australia's reliance on shipping its waste overseas diminishes, and as the domestic market develops and stabilises, costs should become more predictable and stabilise. The export ban has caused a greater local supply of waste and recyclable material. Without the additional local processing capacity, this ban has influenced the supply and demand balance. Regardless of export bans, Local Government are still obliged to follow Federal and State directives in the processing and recycling of waste streams to meet EPA driven State targets, with or without local alternative processing options. Council also takes on all the risks for their own processing in house.

**The lack of new investment in waste infrastructure is an external cost driver causing waste price increases.**

CNSWJO agree that when they undertake kerbside recycling, the current market dictates that they will be price takers of gate processing fees. With no local processing markets or options, large processors force this predicament onto Local Government. The lack of waste infrastructure in regional and remote areas greatly inhibits Council, and its ability to reduce waste to landfill. The cost of freight to transport recovered material across to metropolitan markets is one of the serious impediments to recycling in regional areas.

Whilst limited investment has not halted recycling, the processor monopoly constantly increasing their gate price (combined with the lack of clear policy direction from NSW Government) has not improved take up of more regional kerbside services. **This lack of infrastructure places most, (if not all) of the risk on Council if it chooses to undertake kerbside recycling, thus creates uncertainty. Material markets are no longer competitive resulting in a second price rise from VISY as a MRF processor.** This regional price taking yields a reduced value commodity within the kerbside bin, with far less return for the salvaged products. It is either a case of accept the gate fees, or do not recycle.

**Market concentration (ie: a small number of large players dominate each sector of the domestic waste market) is an external cost driver causing waste price increases.**

CNSWJO generally supports this statement; however, the biggest influence is the changing 'materials markets' (e.g. China Sword) that is completely outside Councils' control. Waste is a commodity with large fluctuations and therefore a waste peg cannot be accurately determined. Additionally large players in the material market such as VISY charge what they like, with Councils left to accept whatever price increases are dictated in the processing agreement.

Greater diversity is needed to increase competition **with more transparency around reporting regarding profits and overall productivity.** Within the current market situation there will always be a lack of control from the Council perspective in regard to global, and localised material markets. The further isolated the Council, or lessened population, the smaller number of options there are available to capture those markets. The tyranny of distance from market, and its impacts it has on Councils delivering solid environmental outcomes, cannot be effectively managed by a waste peg.

**Do you think IPART's proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?**

The high variance of services different Councils have to offer, combined with geographical variability make it very difficult to benchmark what a comparable Council should be charging for DWM services. Regional Council in NSW have differing circumstances which are quite unique, and the proposed waste peg has the potential to make waste services unsustainable. Setting a benchmark waste peg will allow for excessive community influence where the DWM charge exceeds the waste peg.

Credit needs to be allocated to Councils to have the ability to set fair and justified DWM charges according to their individual DWM expenses. If benchmarks are made, then smaller regional Councils are not considered (or not understood), because of either their remoteness, or their services are not comparable to other Councils, neighbouring or otherwise. A benchmark will be complicated, difficult to determine, create confusion, and apprehension for ratepayers.

Additionally, it will consume resources for both IPART and Councils alike to report. The current process allows setting fees and charges via an Operational Plan that allows ratepayer feedback prior to implementation - this system already works well. Current process allows DWM charges to be set proportional to the service levels required to undertake effective resource management budgeted to the Council's rate base.

**Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?**

CNSWJO agrees that the publication of pricing principals by the Office of Local Government (OLG) will provide guidance to councils on how to set DWM charges in their Council. This should offer a solid justification for the setting of DWM charges and negate the need for a separate benchmark waste peg. The OLG should however, include a reasonable list of charges to be included, not just the on cost of waste

removal, but education, administration, marketing, promotion, problem wastes, infrastructure, and insurance etc.

This pricing principle will assist and through Council inform ratepayers that it is not just focusing on the daily essential services, but creating a holistic approach to the whole of life cycle costs around waste and effective resource management. If utilised as a guide only, this would be useful and help with the methods, and the consistency of setting DWM charges. The Council determinations, even though every council will have different factors resulting in different charges, would assist as it has never been a one size fits all approach.

**Would it be helpful to councils if further detailed examples were developed to include in the Office of Local Government's Council Rating and Revenue Raising Manual to assist in implementing the pricing principles?**

If a detailed price setting principle was included in the OLG manual, this further development would still not make Councils comparable, nor assist adjoining Councils adopt mirrored DWM charges. External factors affect the councils in different ways (e.g. transport costs and market concentrations) so having a common comparison would still not be reasonable as some councils may have sufficient existing fund reserves already, and some may not. This would lead some Councils looking to increase their DWM charges substantially higher than others (many of which with much smaller rate bases). All Councils provide different levels of services, not just for kerbside collections but for many other recycling alternatives at the resource recovery facilities. These facilities incur different levels of expenditure for each Council.

For further advice or to discuss any matters raised in this response please do not hesitate to contact me on [REDACTED] or email me on [REDACTED]

Yours sincerely,

[REDACTED]

Jennifer Bennett  
**Executive Officer**  
Central NSW Joint Organisation (CNSWJO)