



22 April 2022

Review of Domestic Waste Management
Charges
Independent Pricing and Regulatory
Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Contact:
Our Ref:
Your Ref:

**RE: IPART Review of Domestic Waste Management Charges Draft Report –
Cessnock City Council Submission**

I refer to the Draft Report released (December 2022) by the Independent Pricing and Regulatory Tribunal (IPART) concerning the Review of Domestic Waste Management (DWM) Charges levied by local government in NSW.

Cessnock City Councils Environment and Waste Unit endorses the submissions of Hunter Joint Organisation and Local Government NSW. In addition, we provide the following submission on this document.

General feedback on the Draft Report:

Cessnock City Council covers an area of nearly 2,000km² and provides a kerbside collection service (comprising weekly waste and fortnightly recycling and garden organics collection) to approximately 24,000 households. Council performs the domestic garbage collection and operates the Cessnock Waste Management Centre (CWMC), using council employees and council-owned (and maintained) fleet vehicles. The collection and processing of recycling and garden organics (GO) are contracted under long-term 10-25 year contract terms.

There are significant challenges and upcoming changes for local government in preparing and transitioning our communities to a new waste and resource recovery paradigm as envisaged by the NSW *Government's Waste and Sustainable Materials Strategy 2041* (WaSM). This includes the introduction of new domestic food and organics collections, amongst a host of other new or enhanced activities, to deliver against the Strategy's objectives and targets.

Add to this the challenges of waste export bans commencing, significant fuel price increases and transport costs, and the lasting impacts of bushfire, flood and pandemic and it is clear that this is not the time to further complicate and hamstring councils as we service our community.

We are perturbed that the Draft Report has completely ignored our preferred adoption of pricing principles proposed by IPART in your 2020 Discussion Paper. When required to choose between benchmarking, that involves the rebalance of DWM charges with general rates, versus a peg, then we preferred the rebalance and benchmarking approach. This

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support is based on the benchmarking option being the least-worst of the only two options presented. 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 dated 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 WaSM.

Council particularly seeks IPART's support in advocating for the inclusion of collection and disposal of illegal dumping material that is comprised of domestic waste items in the definition of domestic waste management services, as there are costly uncertainties around this issue which impacts many communities, including ours.

Endorsement of the Hunter Joint Organisation of Councils (HJO) and Local Government NSW (LGNSW) Submissions

Cessnock City Council is an active member of the HJO and has participated in cross-regional discussions and workshops with LGNSW and the South Sydney Region of Councils (SSROC) to inform the development of these organisations' detailed submissions to the Draft Report.

Council strongly supports the LGNSW and HJO submissions to IPART in response to the Draft Report. Council requests that IPART accept and act on the sector-aligned feedback provided in these submissions, and in particular that:

1. IPART work with local government and the NSW Government to update the definitions and guidance relating to the DWM charge in the Local Government Act and Council Rating and Revenue Raising Manual (the Pricing Principles) and abstain from introducing a DWM charge peg or any other benchmark.
2. IPART identify and work with councils that are not complying with the updated Pricing Principles, leaving compliant councils to continue delivering quality services that meet the needs and service preferences of individual communities.
3. Should IPART insist on introducing regulatory measures to DWM charges, then to adopt the rebalance and benchmark approach rather than a peg.

Responses to issues for stakeholder comment in the Draft Report:

1. Do you think our proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?

No, waste services are particularly susceptible to external cost drivers, often which are unpredictable and difficult to plan for. In current circumstances these unpredictable costs commonly include (and are not limited to):

- Covid pandemic impacts on staffing, DWM volume increases and associated costs;
- Rising fuel costs;
- Day labour cost increases (new Local Government Award);
- Disaster recovery costs.

The rigid and unresponsive system for calculating incidental costs that IPART is proposing is not considered fit for purpose and would result in a high proportion of councils exceeding the 1.1% peg across the state. It is unclear what would occur if a high proportion of councils across the state consistently exceeded the 1.1% peg.

2. Do you think the pricing principles will assist council to set DWM charges to achieve best values for ratepayers?

We have the following concerns with the your pricing principles as they are understood at the time of writing submission:

1. DWM revenue should equal the efficient incremental cost of providing the DWM service

The intent of this principle is accepted; however, it is the definition of DWM service that requires further detail and consideration. The current definitions and guidance provided by the Local Government Act and the Council Rating and Revenue Raising Manual are dated and do not reflect modern waste management realities.

Specifically, we are seeking clarification of the definitions of 'waste' and 'domestic waste management services' with respect to what services/functions can be included that are not already defined. This includes, but is not limited to:

- illegal dumping clean-up costs, particularly where the material arises from residential sources;
- broader waste avoidance education, not just disposal and recycling education, of residents (in line with broader community CE transition programs);
- running events such as Clean Up Australia Day and other littering/waste community programs;
- operational and ongoing costs of Community Recycling Centres and Reuse and Repair Facilities, as services provided to residents;
- drop off events for hazardous waste, chemicals, e-waste and other future product stewardship scheme items; and
- collection and recycling of materials from residents, including soft plastics, textiles, mattresses, tyres, batteries, and solar PV panels.

2. Councils should publish details of all the DWM services they provide, the size of the bin, the frequency of the collection and the individual charges for each service.

Council considers waste management as a holistic service not restricted to kerbside collection. Council already publishes details of the service however there is only one standard service (with no options). Separating component costs would not achieve anything useful for the resident.

3. Within a council area, customers that are:

- *Imposing similar costs for a particular service should pay the same DWM charge*
- *Paying the same DWM charge for a particular service should reflect the same level of service.*


Concerns with this principle are namely around the difficulty in finding genuinely comparable organisations and services given the contextual complexity of delivering DWM services.

4. Any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility

The 'user pays' approach this principle establishes is problematic. Capital costs should continue to be recovered based on forward planning as opposed to relying on borrowings to fund expenditure and recover costs post service implementation. For example, the interest on financing waste facilities and land acquisition imposes a significant extra financial burden on ratepayers and does not represent the most efficient cost of service delivery.

3. Would it be helpful to council 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?

Council supports IPART's suggestion of further detailed examples being included in the Council Rating and Revenue Raising Manual to assist in implementing the pricing principles. Examples covering WaSM priorities such as FOGO services or additional collections for textiles (for example) would be useful. The examples should serve to demonstrate how the principles are applied, and not necessarily provide the exact formula for all services as these will vary between councils.

If you require any further information, please do not hesitate to contact me on telephone 

Yours faithfully



Michael Alexander
Manager - Environment and Waste