

28 April 2022

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

To Whom it May Concern

**RE: SUBMISSION TO REVIEW OF DOMESTIC WASTE MANAGEMENT CHARGES**

City of Newcastle (Council) is a key player in the local region with a commitment to creating a smart, livable, and sustainable global city that fosters innovation, investment, and job creation. Founded in April 1938 following the merger of 11 local Councils, Council is now the second largest local government area outside of Greater Sydney, supporting a population forecast to grow to more than 202,000\* residents by 2041.

Strongly committed to sustainability and circular economy principles right across the organisation, Council has delivered key projects to reduce our environmental impact. Council was the first local government in NSW to make the switch to 100 per cent renewable electricity. A five-megawatt solar farm on a former landfill site, various rooftop solar installations, upgrading streetlights to LEDs, supporting the transition to electric transport, and building an organics processing facility and Material Recovery Facility are also part of the sustainability push.

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is reviewing domestic waste management (DWM) charges levied by NSW local councils and issued a draft report dated December 2021. In this report, IPART identified 3 draft decisions, namely: IPART proposes to publish annually a 'benchmark' waste peg to assist councils in setting their domestic waste management charges. We would publish the benchmark waste peg at the same time we publish the rate peg to assist councils setting charges from 1 July each year.

IPART proposes to publish annually a report on the extent to which councils' annual domestic waste management charges increase more than the benchmark waste peg each year.

IPART proposes recommending that the Office of Local Government publish pricing principles to guide councils on how they should recover the costs of providing domestic waste management services.

In developing these draft decisions, IPART has consulted with Local Government, as well as the Community and Industry, and had effectively presented to them the wide range of challenges that are presenting themselves to Council in the current operating environment. In Council's opinion, however, IPART does not appear to have

appropriately considered the issues facing councils and the significant fluctuations in operating environments that can occur between regions within which we provide services to our communities. The impact of these issues is highlighted by the number of council's that have responded and provided their input and concerns about the challenges we face, and the proposed approach being discussed by IPART.

Council understands that IPART is looking to achieve balance between the needs of councils and the transparency that promotes best practice in what we do however in Council's opinion, IPART's current approach does not achieve this balance. In Council's opinion, IPART's proposed draft decisions 1 and 2 would not provide the value intended and in fact may lead to angst as overly simplified information is presented and compared against justifiable increases in DWM charges. This is particularly relevant for Council with our Waste Services team looking to introduce several wide-ranging infrastructure and operational projects that are aimed at the delivery of improved services in line with the waste hierarchy.

In Council's opinion, Local Government NSW has prepared an informative and representative Position Paper and Submission on IPART's DWM charges reform draft report and should be used as a guiding document in finalising IPART's position on this issue. Challenges associated with IPART's proposed peg system include: It incentivises councils 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 council targets and the NSW Government's Waste and Sustainable Materials Strategy 2041 (WaSM) targets, and the services required to achieve those.

The proposed peg of 1.1% may be calculated based upon flawed data. The calculation also uses historical data rather than forward projections to reflect future needs. It increases risk to the successful roll-out of new services such as food organics and garden organics (FOGO), which the EPA has mandated by 2030. SSROC's 2021 regional FOGO/FO feasibility study indicates that introducing FOGO will cost on average \$15.54 million per council in year 1, or an 8% increase in the cost of providing red-lidded and green-lidded bin services. The EPA's Organics Collection Grant program offers on average \$0.76 million per council if the total \$65 million available is divided equally between all councils that have not yet adopted FOGO. Therefore, introducing FOGO will require councils without a sufficient waste reserve to raise DWM charges well above 1.1%. As the peg uses historical data, it does not reflect the real costs being faced by councils in the coming year. For example, the 1.1% waste peg proposed for 2022-23 does not reflect an increasing CPI currently running at around 4%, real council award costs increases and the dramatically increased prices of fuel. Being named by IPART in an annual report for inevitably raising the DWM charge above the peg or applying for a time-consuming special rate variation to avoid this – just to introduce an EPA-mandated service such as FOGO – 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.

Some councils have reported that the proposed peg has already created internal pressure to reduce costs while continuing to deliver a high-quality service, thus creating an unsustainable situation.

Many councils have consulted their communities as part of their strategic planning and identified a strong community expectation for higher resource recovery and, in many cases, a willingness to pay for additional services.

The peg further entrenches 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, pressure will build on IPART to make the voluntary peg mandatory.

There are concerns around increased reporting which will require resourcing, taking up valuable staff time.

Council generally supports the concept and intent of pricing principles and would in due course welcome updated, realistic and considered guidance on how they should be applied. This will further improve transparency and increase certainty that they are being consistently applied.

It is understood that the Council Rating and Revenue Raising Manual is slated for update as part of the broader Rating reforms, and that would be the appropriate time for IPART to prompt the inclusion and application of pricing principles.

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.

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.

Consistency of costs for similar services across councils will also be supported by the above updates. However, it must be noted that service costs are influenced by factors that are variable and fixed, the latter including proximity of council to markets / disposal sites and subsequent transport costs. The lack of competition in the waste sector is also a factor over which councils have little control. Support for market development, innovation and increased competition is required, and these sit beyond the realm of IPART.

With regards to transparency for residents, there are existing mechanisms for engaging and reporting to the community on DWM services and charges which are outlined in the section below. These include the Integrated Planning & Reporting process, publishing of council fees and charges, and auditing by the Office of Local Government or the NSW Audit Office. Again, the focus should be on ensuring the appropriate use of these mechanisms rather than introducing blunt instruments such as pegs or one-off adjustments.

In conclusion, Council strongly recommends that IPART does not introduce a DWM charge peg or any other benchmark currently, but instead works with local government and the NSW Government to update the definitions and guidance relating to the DWM charge.