



SUBMISSION
Review of Domestic Waste Management
Charges- Draft Report by IPART
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1 About Fairfield City Council

Fairfield City is located in Sydney's south western suburbs about 32 kilometres from the Sydney Central Business District and is part of the Greater Western Sydney Region. Fairfield City is bounded by Blacktown City and Cumberland City Council areas in the north, the City of Canterbury Bankstown in the east, Liverpool City in the south and Penrith City in the west (Figure 1).



Figure 1: Location of Fairfield City

Fairfield City incorporates 27 suburbs and has a total land area of approximately 104 square kilometres. The local government area while mainly residential has significant industrial and commercial areas with rural residential areas in the west.

Fairfield City contains some of Sydney's most socio-economically disadvantaged suburbs. The NSW local government lists all NSW areas in terms of their socio-economic rank (1 being the lowest, 130 being the highest in terms of socio-economic advantage). Council has an index of 4, which indicates it is socio-economically disadvantaged¹.

Fairfield City has a population of 211,800 residents in 2022, 54% of whom were born overseas. Overall, 71.2% of residents live in single dwellings, with 27.4% living in medium and high density dwellings or residential flat building (RFBs). However, the proportion of those living in RFBs is expected to increase as population density increases in the future. 42.3% of households were made up of couples with children in 2016, compared to 35.2% in Greater Sydney².

¹ Source: Australian Bureau of Statistics, 2018, Socio-Economic Indexes for Australia (SEIFA) 2016.

² Source: Profile Id Fairfield City, online accessed at <https://profile.id.au> on 8 Feb 2022.

2 Introduction

In December 2021, The Independent Pricing and Regulatory Tribunal of NSW (IPART) released a draft report 'Review of Domestic Waste Management Charges' for public consultation. IPART are seeking comment on the draft decisions contained in the report.

Fairfield City Council has prepared this submission to provide feedback from a local government perspective.

Draft Decisions

1. 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.

Fairfield City Council does not support the publication of an annual 'benchmark' waste peg, as it will not assist council in setting DWM charges and it has the potential risk of exposing Council to community and media criticism if Council exceed the benchmark, undercutting Councils social licence.

Council have current contractual obligations that were procured following all Local Government Procurement guidelines that achieved significant cost efficiencies for Council in the waste processing and disposal areas. This has placed Fairfield City Council in a position of being less expensive in our waste disposal area than our neighbouring councils. Setting a "peg" based on our lower cost base will penalise Councils previous initiatives and good work.

Contract prices including collection, processing or disposal have been increasing higher than the annual consumer price index. The gate fee for processing and disposal of municipal waste for Fairfield City in the last three years (between 2018/19-2020/21) has increased an average of 2.98%. At the same time, the average CPI was 1.8%. For those councils with day-labour, the employee salary, which accounts for 14.5% of total DWM cost has increased by an average of 2% every year. Cost of plant maintenance has significantly increased in recent years and the fuel cost is quite volatile.

Another major contribution to the overall DWM cost is the Section 88 waste levy which accounts for 15.3% according to the IPART draft report. This levy has increased with an average of 1.6% in the last 3 years.

The suggestion that the Domestic Waste Management (DWM) revenue should equal the efficient incremental cost of providing the DWM service and that IPART will be able to accurately measure and represent that in percentage terms raises some concerns.

- How will IPART measure and represent this for the wide variety of models of service that exist for DWM

- Individual circumstances represented. Fairfield City Council is coming to the end of a very favourable DWM contract of 20 years which with Council internal efficiencies has allowed Fairfield to charge residents comparably less (up to 34%) than neighbouring Councils. Comparisons by a benchmark may penalise Councils previous initiatives
- Impacts of costs from external influences accurately captured - China Sword, Earn and return and COAG that has agreed to progressively ban the export of plastic, paper, tyres and glass waste.
- IPART suggested 'benchmarks' may not adequately reflect the real experience of Councils with the example of the IPART rate peg of 0.7% that has not reflected the real costs to Council and erodes confidence.
 - The Rate Peg calculation is largely based on the change in the Local Government Cost Index (LGCI), which measures historical price changes in goods, materials and labour during the year preceding the Rate Peg determination. The LGCI for the 2022/2023 Rate Peg determination was based on price changes for the year ended 30 June 2021. The price changes for the different cost components were combined by applying expenditure weights based on NSW Councils expenditure for the financial years ended 30 June 2018 and 2019 in order to arrive at the LGCI.
 - The use of historical information and benchmark wage and price indices that don't widely apply to Local Government resulted in an LGCI for the 2022/2023 Rate Peg that does not reflect the change in operating costs for NSW councils during that period. The LGCI applied a weighting of 38.4% for Employee Benefits and On-costs and used the ABS Wage Price Index (WPI) of 1.2% for the year ended 30 June 2021 in its calculations. This is despite the fact that a Local Government NSW Award increase of 2% and a Superannuation Guarantee increase of 0.5% apply from 1 July 2022. Therefore, the LGCI used in the 2022/2023 Rate Peg has understated the Local Government price change for this cost component by 1.3%. Use of the Local Government Award and superannuation increases that apply during the period of the 2022/2023 Rate Peg would have increased the Rate Peg by 0.5%.
 - IPART's determination that the Rate Peg increase will be 0.7% for 2022/2023. During the past 8 years Rate Peg has regularly been less than the LG Award increase in salary and wages, which has created financial pressure for Council's.
 - Employee Costs represent 44% of Council's costs. The LG Award increase of 2% and SGC increase of 0.5% (increasing from 10.0% to 10.5%) will increase employee costs by > \$2 million in 2022-2023. Therefore, Council services will need to be carefully reviewed due to the lower than anticipated Rate Peg by IPART of 0.7%.

More importantly, the report notes that differences in service levels cause variability in the DWM charges. Local councils have varying service levels which range from a two bin system to a three (or possibly four) bin systems, food and organic waste collection (FOGO) and scheduled or book - in kerbside bulky waste collections with differing annual allocation of collections. These services are provided in consultation with the community to meet their expectations in term of service levels while balancing the appetite to pay for waste services.

Fairfield City Council conducts community engagement every four years as part of its community engagement strategy for developing the Operational City Plan. In the most recent independent community survey on council services, DWM services were rated as the highest level of resident satisfaction.

Despite the increase in cost, Council lowered the DWM charges to assist residents dealing with a pandemic situation (Figure 2). In the financial year 2020/21 and 2021/22, the DWM charges was reduced by 1.1% and 2.0%, respectively.

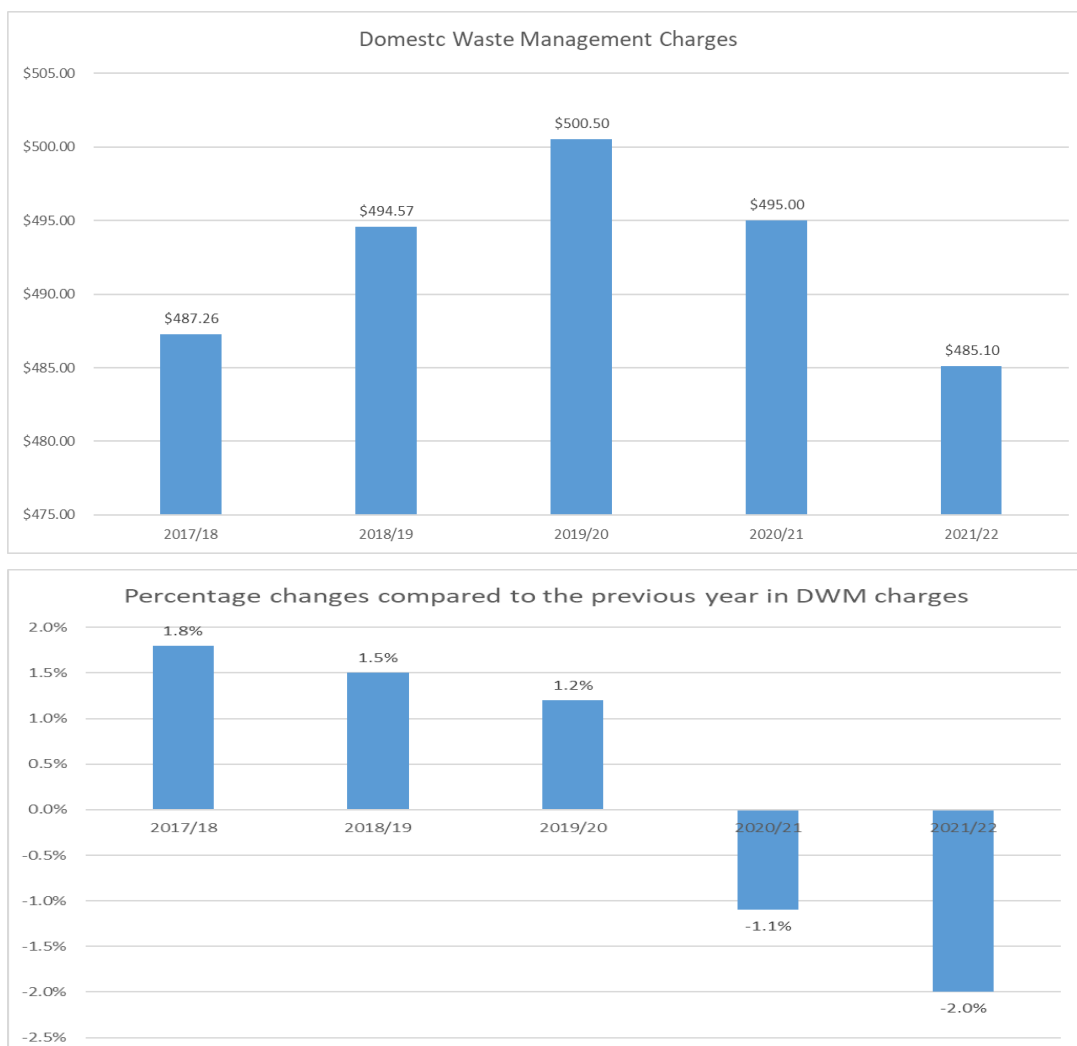


Figure 2: Domestic Waste Charges from 2017/18 to 2021/22 financial year applied for residents in Fairfield City.

2. 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.

NSW Environment Protection Agency (EPA) coordinates an annual Waste and Resource Recovery (WaRR) council survey on the Waste and Recyclables collected from households. The resulting reports outline the domestic waste generation and performance of local council kerbside, drop-off and clean-up services across NSW. Councils are required to provide details of their DWM services, including available services, bin sizes, frequency of collection, kerbside clean up, drop off events, collection and processing by internal or contractors, lengths of contracts. The annual reports published by the NSW EPA are publicly available on the EPA website. Council believes that these reports can provide better assistance to ratepayers, policy makers and councils as all information of DWM services across NSW is maintained in one location and presented comprehensively for comparison.

In addition, regional organisation of councils (ROCs) such as Southern Sydney ROC and Western Sydney ROC include details of DWM services of member councils in their regional waste annual reports.

It is recommended to improve the quality and timing of those annual reports published by the NSW EPA and ROCs. The latest annual WaRR survey report published by the EPA was for 2018/19 financial year, a lag of three years

3. 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 the draft report, IPART found that the average domestic waste charges (DWC) levied by councils "have risen by 4.5% each year, which is more than double inflation over recent years."³

The draft report proposes pricing principles to guide councils in calculating the level of waste charges and IPART propose:-

The proposed IPART pricing principles, which are:

- 1) Domestic Waste Management (DWM) revenue should equal the efficient incremental cost of providing the DWM service*
- 2) Council 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.*
- 3) Within a council area, customers that are:*
 - a. Imposing similar costs for a particular service should pay the same SWM charge*
 - b. Paying the same DWM charge for a particular service should get the same level of service.*
- 4) Any capital costs of providing DWM services should be recovered over the life of the assets to minimise price volatility.*

³ IPART, 2021, *News Story – Greater transparency for ratepayers on council's charges*, NSW.

3 Pricing principles

3.1 Principle one – Revenue should equal the efficient incremental cost of providing the DWM service

IPART proposes incremental (additional) cost allocation for DWM services.

Fairfield City Council does not agree that an incremental cost increase is the appropriate approach. The DWM charge should be related to cost drivers as many of these relate to external factors that are largely outside Council's control. These external factors include the Section 88 Levy, collection and/or disposal contracts, logistics and availability of waste facilities in the region, urban density, recycled material end markets and the challenges of tailoring services for a range of dwelling types, which all contribute to the levying of the DWM charges.

An incremental cost increase does not take into consideration the constant changes experienced in the waste sector. Within the last five years, the sector has undergone legislative and industry changes such as-

- The ban of exports of plastic, paper, tyres and glass.
- The introduction of the "return & earn" scheme resulting in a loss of income from the commodity market
- Industry changes with the removal of China as a market for waste materials.
- Changes in consumer behaviour driven by the pandemic or natural disasters.

Community expectations and requirements from The Department of Planning, Industry and Environment, NSW Waste & Sustainable Material Strategy 2041 direct councils to achieve the triple bottom line in DWM. Thus, the DWM charges not only reflect efficient cost but also the effectiveness of the system and the environmental impact.

3.2 Principle one –Other functions related to waste which do not involve the periodic collection of domestic waste from households should be funded through general rates

There is a disconnect between the strategies outlined by the EPA and DPIE and the Pricing Principals listed in the IPART Report.

The NSW Circular Economy Policy Statement requires engagement with communities and businesses to communicate the benefits of a circular economy and how circular activities can be implemented at the local level. The NSW Waste and Sustainable Materials Strategy 2041 publishes targets of halving food waste to landfill and achieving net zero emissions from organics in landfill by 2030, by requiring Councils to provide a separate collection of food and garden organics from all NSW households by 2030. Local Councils are also expected to adopt a partnership approach with the community to reduce local litter. The proposed pricing principals

suggest that activities relating to implementing these initiatives be funded through general rates, which is unsustainable.

Illegal Dumped Waste

Fairfield Council propose that Illegal dumping investigation, collection and disposal should be funded via the DWM charge.

Fairfield City Council has been actively combatting illegal dumping and was one of the founding Councils of the Western Sydney Regional Illegal Dumping (RID) Squad initiated in 1998.

More than 80% of illegal dumping incidents reported come from general household waste as shown in Figure 3. Council's waste enforcement officers along with the members of Western Sydney RID squad are continuously investigating and conducting education to the community. Community education is one of the key activities to ensure the community understand available waste services, including kerbside clean-up, disposal of household problem wastes and green waste.

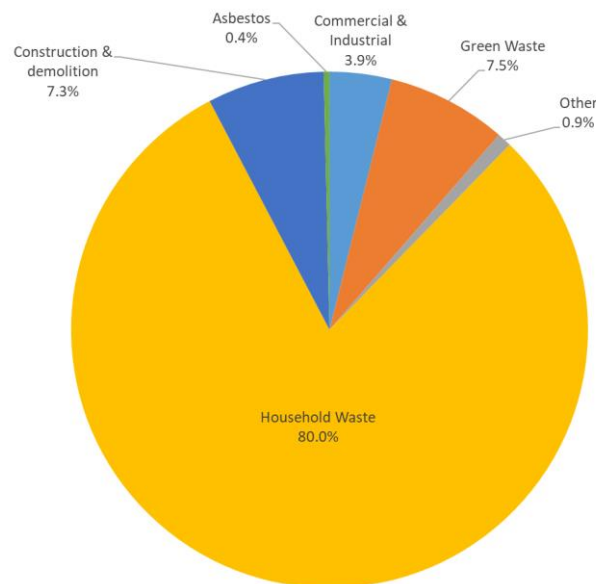


Figure 3: Number of illegal dumping incidents reported in each main waste streams in the last 24 months at Fairfield City. Source: RID online, accessed 15 February 2022.

Pensioner and hardship subsidies

DWM charge subsidies for pensioners and hardship residents are normally voted by the elected council. The subsidies are important for residents living in a low SEIFA index like Fairfield City.

Removing the DWM charge subsidies for pensioners and financial hardship residents will place those residents at a financial disadvantage.

The suggestion that a special rate variation (SRV) could be applied for to subsidise those financial hardship residents does not take into account the onerous pressure on local councils to annually apply for a SRV or the uncertainty of a successful SRV application.

4 Conclusion

In conclusion, publishing a waste peg and reporting annually on those Councils that exceed the “peg” incentivise Council to provide as minimal a service as the Community will accept to remain within the “peg” allocation. A peg provides a barrier for Council to deliver to the NSW Waste & Sustainable Material Strategy 2041 targets as Council will be limited in the ability to roll out of new services such as FOGO (EPA mandated by 2030) or niche collections of soft plastics, textiles or problematic waste (e.g mattresses). Being named by IPART in an annual report for raising the DWM charge above the peg, which may be required to facilitate the introduction of an EPA-mandated service such as FOGO risks community criticism and may undercut establishing social license for a new service, increase planning time and create delays in service

Fairfield City Council does not support the waste peg ‘benchmark’ cap on DWM charge, as it will not address the market competition issues, fluctuating fuel costs, sudden changes in inflation or CPI. Nor does Fairfield City Council support the exclusion of waste education, illegal dumping, and pensioner and hardship subsidies from the DWM charges.

Furthermore, IPART should advocate for resulting issue of availability of waste infrastructure and transport logistics in Sydney and NSW which has the potential to drive down the cost of DWM services