



We are writing in reference to the review of Domestic Waste Management Service Charges report released in December 2021.

Council has engaged with other Councils across the Netwaste region to respond to the Draft Report to highlight 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.

Key comments raised in the Draft Report include:

- 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 benchmarking regimes developing a publicly made available comparison tool to compare DWM charges across comparable councils and pricing principals
- Council is subject to 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 DWM 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

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?

Council strongly disagree that IPART should have the ability to regulate the waste peg and make it binding. IPART should be able to review and advise Council on their decisions, however, regional remote Council/s 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
- Contracted kerbside services and processing charges
- Existing contracts – pre-existing, or new, and the life and terms of such contracts
- Introduction of new services or new and upgraded waste sites
- Council population, size, and the service activities it provides
- Geographical location, remoteness, and socio economics
- Suitable fund reserves and future works

Council recognises the role of IPART regarding the review of DWM charges, and that fairness should above all be adhered to in the process. Council believe that IPART are not sufficiently equipped to implement such changes when the comparable elements of each Council differ so much. Council is 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. This difference is especially evident over the NetWaste region, which ranges from large city based Councils, to smaller isolated rural village and town based Councils.

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 Council 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?

This course of action is not supported. It is currently unclear what form the reports will take, what information will be made available publicly, and what pertinent information it will contain. Council is 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, Council already provides full disclosure and transparency of the levels of service and the costs to its constituents.

Whilst IPART want greater transparency for all (which is generally supported by Council), concerns are raised with the general public being able to comprehend the cost associated with the daily operational side, costings for long-term plans and remediation Council implements in an effective resource management system. This information is contained as the inner workings of Council, (like any other business) and should be treated in confidence. Council already has other outside influences to manage. Councillors and ratepayers already have access to available information through existing channels including freedom of information searches (GIPA).

Comparisons between Councils would be very hard to make, as there is so much diversity throughout New South Wales. Ratepayers can influence DWM charges via the Council Operational Plans, placed on public exhibition annually for 28 days. 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). Council believe the current systems in place are adequate and effective, without additional regulation being implemented by IPART.

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

Council agrees it has impacted local services with increased recycling and processing fees passed onto Council. 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, this is still dictated by large processors (VISY Australia) to accept their products. These costs are passed on to the ratepayer. IPART, Council, or the ratepayer can readily influence the recycling cost percentage that makes up DWM charges.

Council 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 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. Unfortunately, the Council and the central west has limited processing infrastructure in place to support local markets with most of the product sent to Sydney for processing. 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.

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

Council agrees that when they undertake kerbside recycling, the current market dictates that they will be price takers of gate processing fees. With limited 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 increasing their gate price on multiple occasions (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 risk on Council if it chooses to undertake kerbside recycling. 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 which must be considered if rises continue.

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.

Councils takes a neutral position with this statement. The biggest influence is the changing 'materials markets' (e.g. China Sword) that is outside Council's control. Waste is a commodity with large fluctuations and therefore a waste peg cannot be accurately determined. Additionally large players can influence the material market. Council is 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 it is difficult to ascertain a certain amount agreement by Councils on this statement, however there will always be a lack of control from the Council perspective in regard to global, and localised material markets. Isolated Councils, with declining population are presented with a smaller number of available options to capture those markets. The distance across regional shires and then onwards to market impacts Council delivering solid environmental outcomes and cannot be effectively managed by a waste peg.

The Container Deposit Scheme (CDS) is an external cost driver causing waste price increases.

The CDS scheme has indirectly caused price increases, as the value of some materials collected in kerbside recyclables collection has diminished as a result of CDS. Some processing/manufacturing facilities no longer want or accept materials from the kerbside recyclables collection, as they can access a cleaner, less contaminated stream of glass/PET/aluminium cans through the contractor servicing CDS kiosks. It has made a difference to the amount or volume of recycling that is now being collected. Whilst the number of bins collected is still the same, the quality of recycling has gone down, and contamination has gone up (around 9%), these variables then translate as external cost drivers which must be paid for in DWM charges. It is another example of the complexities of waste management and is not openly measurable. Fluctuations in volume and kerbside contamination (both short and long term) have resulted in price increases from MRF processors. Kerbside recycling has a reduced valuable commodity within the kerbside bin, resulting in far less return for the salvaged products.

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

Setting a benchmark waste peg will allow for excessive community influence where the DWM charge exceeds the waste peg.

Recognition needs to be allocated to Council 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 any other Councils, neighbouring or otherwise. A benchmark will be complicated, difficult to determine, create confusion, and cause apprehension for ratepayers.

The current process allows setting fees and charges via an Operational Plan that allows ratepayer feedback prior to implementation. Current processes allow DWM charges to be set proportionally 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?

Council agrees that the publication of pricing principles 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, education, administration, marketing, promotion, problem wastes, infrastructure, and insurance, for example.

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, this would be useful and help with the methods, and the consistency of setting DWM charges. Even though every council will have different factors resulting in different charges.

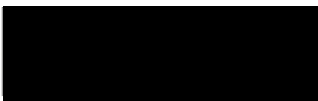
Would it be helpful to councils if further detailed examples were developed to include in the Office of Local Government's Council Rating and Revenue Raising Manual to assist in implementing the pricing principles?

Much of the development of the examples found in the manual would depend upon how relevant the examples are to individual Councils, being so different from one Council to the other. Council is part of the NetWaste region and this is one of the largest, and most diverse Council areas in Australia. There are no two Councils within the NetWaste region with the same DWM charges, combined services, or budgets. Comparing Council rates and charges would not be reasonable. Although it would assist in the transparency of the process, the implementation would be open to much interpretation.

If a detailed price setting principal was included in the OLG manual, this further development would assist, however still not make Councils comparable, nor assist adjoining Councils adopt set 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 , 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 service, 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. Their complexities (and their costings) and should be kept confidential, rather than misaligned information from ratepayer and public interest groups.

Yours sincerely



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