



29 April 2022

The Independent Pricing and Regulatory Tribunal
ipart@ipart.nsw.gov.au
(submitted via website)

Dear Tribunal

Subject: Submission – Draft Report - Review of Domestic Waste Management Charges - 13 December 2021

Thank you for the opportunity to make a submission to IPART's Draft Report - Review of Domestic Waste Management Charges – 13 December 2021. Staff from Lake Macquarie City Council have prepared the attached submission for your consideration and would welcome the opportunity to discuss its content in more detail if requested.

I appreciate that IPART seeks to improve value-for-money outcomes associated with the Domestic Waste Management (DWM) charge, however, at this point in time, no problem has been adequately defined by IPART that justifies the recommendations arising from the IPART review. Solutions should instead focus on supporting councils to address the fundamental source of IPART's concerns rather than introducing further regulatory measures such as a benchmark or peg.

If required to choose between benchmarking, that involves the rebalance of DWM charges with general rates, versus a peg, then we prefer the rebalance and benchmarking approach. However, this support is based on the benchmarking option being the least-worst of the only two options presented.

Our view is that IPART should not regulate councils on the DWM charge but rather identify and work with the councils that are not complying with the *Council Rating and Revenue Raising Manual* Pricing Principles and to leave compliant councils to continue delivering quality services that meet the needs and service preferences of individual communities.

I ask IPART to support councils by advocating to the Office of Local Government (OLG) that updated and clearer guidance on what should be included (or excluded) from the DWM charge is needed. This 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 will be required to enable the transition to a circular economy as per the vision outlined in the NSW Government's Waste and Sustainable Materials Strategy 2041 (WaSM).

Our Ref: Your Ref: D10638583

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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.

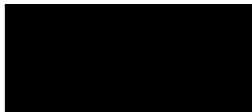
Lake Macquarie City is a regional coastal city located within the Environment Protection Authority's Metropolitan Waste Levy Area providing a three-bin kerbside and twice-yearly scheduled bulk waste collection service. Council performs the domestic garbage and bulky waste collection services, and operates the Awaba Waste Management Facility (AWMF), using council employees and council-owned (and maintained) fleet vehicles. The collection and processing of recycling and food and garden organics (FOGO) are contracted under long-term 10-25 year contract terms.

Council is in the process of a major service change from scheduled to booked bulk waste collections to improve service flexibility to residents and to increase resource recovery from this waste stream, thereby preserving the life of the AWMF landfill. Experiences of other councils providing booked bulky waste collection services have warned us to expect increases in orphaned domestic bulky waste dumped by households that fail to make bookings prior to placing material out for collection.

We are concerned that the funding to clean up this orphaned domestic waste may be ineligible from the DWM charge due to the uncertainties and inadequacies in the definition of permissible domestic waste services under Principle 1 of the *Council Rating and Revenue Raising Manual*. Should this be the case then Council would need to fund these clean up services from general funds, which will result in sacrificing other community services to pay for domestic waste management. This outcome seems at odds with the intent of the domestic waste management charge in the *Local Government Act*.

Thank you again for the opportunity to make a submission. Should you require further information, please contact Director Service Delivery John Ferguson on [REDACTED].

Yours sincerely

A black rectangular redaction box covering the signature of Morven Cameron.

Morven Cameron
Chief Executive Officer

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

Lake Macquarie 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.

Lake Macquarie City Council Submission

Rather than replicate the LGNSW and the HJO detailed responses to the Draft Report in our submission, we are providing examples of impacts to Council’s services (that could result from IPART’s failure to act in favour of points 1-3 described above) which would limit Council’s capacity to fulfil our circular economy policy and waste strategy goals that have been developed to meet our community’s desires and expectations.

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. Focusing action in this area would support councils to address the fundamental source of IPART’s concerns regarding DWM charges. Any 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.

Unfortunately, IPART’s proposed introduction of regulatory measures (such as a benchmark or peg) threatens to further entrench councils and the waste industry in a linear waste model. This is at odds with the NSW Government’s circular economy policy direction for better managing our resources and minimising waste.

Lake Macquarie City Council has taken a leading role to champion circular economy (CE) transition in the Hunter region. Council’s early adoption of CE policy and associated investment to resource CE transition programs were firsts among NSW councils, and is in step with the NSW Government’s vision for CE transition as per the WaSM and EPA Waste Delivery Plan. If Council is to continue aligning our operations to meet WaSM goals, then we will be required to undertake waste management activities beyond what IPART (and the definitions in the *Local Government Act* and *Council Rating and Revenue Raising Manual*) currently considers ‘domestic waste management’ to be; despite these activities being principally domestic waste management focused.

Attachment 1 – Staff submission to IPART’s Draft Report - Review of Domestic Waste Management Charges - 13 December 2021

The waste hierarchy clearly sets out the priorities for waste disposal in Australia, with waste avoidance and reduction the preferred mechanisms to efficiently manage waste. Council’s current and forward years delivery program includes several actions that provide community education, programs, and service changes designed to decrease waste generation, build capacity for community reuse and repair, and to support residents and businesses with CE transition. Such programmes are not currently included in the list of those that could be funded under the DWM charge.

Principle 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.

Illegal Dumping

Council currently spends \$1.014 million per year to manage orphaned and illegally dumped waste using a combination of general funds and grants, despite 64% of all dumped material being comprised of household bulky waste items. Future funding for this essential community service is under threat following recent changes to the NSW EPA Waste Less Recycle More and Better Waste and Recycling grant programs resulting in Council no longer receiving the grant funding that has historically been used to partially fund these clean up responses for the community.

This loss of grant funding coincides with Council’s current resource optimisation actions to improve our capacity to respond to the increasing incidents of dumping in the city as population increases, more multi-unit dwellings are built, and the number of rental tenancies increase (which generates more bulky waste from rental turnover). Part of this resourcing strategy involves transitioning the city away from 6 monthly scheduled bulk waste collections and onto a booking-based collections system.

We are anticipating an increase in orphaned bulky waste from incorrect use of the booking service, which has been the experience of other councils making similar service transitions. Council is concerned that this material would be classified as illegal dumping under the current unclear definition of domestic waste in Principle 1.

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If Pricing Principle 1 does not support councils use of DWM funds to contribute to the management of orphaned bulky waste, then the costs to our Council, and many others, from ongoing and increased dumping incidents and tonnages will result in increased reliance on general funds to pay for these clean up services, despite this material being generated primarily from domestic waste sources. This would result in reductions to other community services to pay for domestic waste management, which would appear to go against the intent of the domestic waste management charge in the *Local Government Act*.

Business Support Costs

According to IPART’s recommendations for Pricing Principle 1, councils would also need to fund business support costs (such as overheads and operating costs for Information Technology, Risk and Safety, Financial and Human Resources, and waste department management) entirely from general funds, with no contributions allowed from DWM funds. Council disagrees with this approach.

These support services play vital roles in enabling the provision of waste services, and to the development and implementation of council’s waste strategy projects and goals. Council currently relies on approximately \$2.5 million in DWM funds to contribute to these business support costs. We also advocate that, since these services contribute to the delivery of core domestic waste management functions, they should indeed be eligible for reasonable contributions from DWM funds.

Principle 4

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

The intent of this principle is acknowledged and accepted. However, there may be circumstances where councils need to introduce services and/or assets quickly and in shorter timeframe than the asset’s life. For example, Council is working on our Emergency Waste Management Plan to comply with the NSW Government’s Emergency Waste Management Sub-Plan vision, which asks all councils have arrangements in place to manage waste generated from disasters and emergencies.

Council is exploring the establishment of emergency waste aggregation and sorting sites in strategically located areas around the city to manage non-putrescible disaster waste in ways that will maximise recovery of resources and minimise reliance on landfilling waste from disaster events in Council’s only landfill at the AWMF.

Capital investment will be required to prepare material drop off and sorting areas within these sites (e.g. former quarry sites and other operationally appropriate land) and to comply with NSW EPA requirements for access, bunding and security. Ideally DWM funding sources could be used to contribute to the preparation of these sites, given that the initiative is forward planning for managing domestic waste generated from emergency events and intended to avoid generating higher future domestic waste management costs by enabling the less costly diversion of emergency waste away from Council’s landfill, thereby saving ratepayers money through preserving cell life at the AWMF.

IPART’s Proposed Peg vs. Rebalance and Benchmark Approach

Peg

The impacts to Council from either the peg or benchmarking and rebalance approach will vary depending on any updates to the definitions and guidance relating to the DWM charge (e.g. definitions of ‘waste’ and ‘domestic waste management services’) in the *Local Government Act* and *Rating and Revenue Raising Manual* as explained above.

Table 1 shows Council’s DWM charge rate increases over 7 years (from 2017-2023). Our DWM charge has increased annually by 3.2% on average over this time. However, it is important to note that larger increases were needed in the years that corresponded with major service changes (e.g. 2016-2018 and 2023).

These service changes were driven by NSW Government Waste and Resource Recovery (WARR) targets, which require councils to increase the resource recovery performance of the waste services they provide to their communities.

Table 1: Lake Macquarie City Council DWM charge increases in previous years

Financial Year	DWM charge	Annual increase %	
2016-17	\$414	5.0%	Implementing FOGO
2017-18	\$434	4.8%	
2018-19	\$435	0.2%	
2019-20	\$440	1.1%	
2020-21	\$451	2.5%	
2021-22	\$467	3.5%	Implementing bulk waste service changes to increase waste avoidance, reuse, repair, and recycling of residual
2022-23	\$492	5.4%	
7 year average		3.2%	

We have provided the above data and explanation to demonstrate that our annual variations in DWM charges (as a council that is compliant with the Pricing Principles) has exceeded IPART’s 2022-23 proposed 1.1% peg in almost every year shown above. Additionally, we emphasise that the larger increases are typically driven by councils’ need to prepare for, and/or implement new service offerings that increase resource recovery to comply with the NSW Government’s WARR / WaSM targets or in response to external influences out of our control, such as China Sword’s impacts on the costs of recycling processing services.

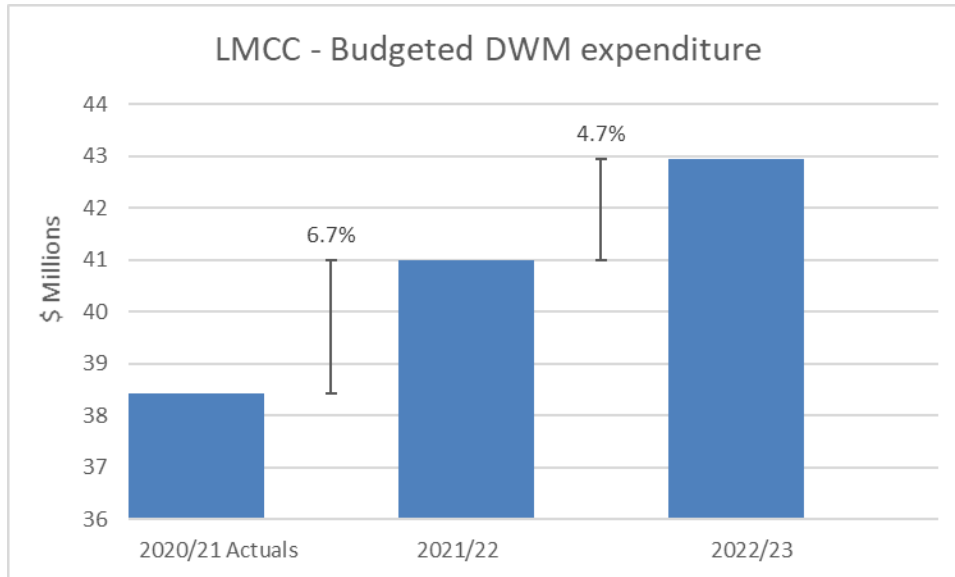
Figure 1 below demonstrates the ineffectiveness of a peg (using the potential 1.1 per cent peg as an example). The budgeted costs associated with the DWM charge for Council has increased 6.7 per cent in 2021-2022 and a further 4.7 per cent is budgeted for 2022-2023. The increases are primarily driven by increases in recycling and landfilling costs and fleet operating costs, in particular fuel.

If a 1.1 per cent rate peg was applied to the 2022-2023 financial year, the DWM operations would be loss-generating as it would not be sufficient to offset the increase in costs, therefore deteriorating the overall operating result of Council. Continuation of loss-making DWM operations would require the use of the DW reserve. Where DW reserves are insufficient then reliance on General Funds would be required to supplement domestic waste operating costs, which is generally not allowed by the

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Local Government Act. This is not a sustainable model and over time the services offered would need to be reduced, which is not palatable to the community.

Figure 1: Lake Macquarie City Council Budgeted DWM vs. 1.1% Peg



Additionally, a rate peg does not encourage greater diversion from landfill in line with the NSW Government’s targets. Often, diversion of material (such as bulky waste) costs more than landfilling it due to increased handling, even with the waste levy savings factored in. Introducing an annual peg that is based on historic pricing data will erode councils’ abilities to keep pace with increasing community expectations for access to innovative recycling approaches.

Benchmarking and Rebalancing

The Benchmarking of DWM charges across Councils against a single 'average' charge is a flawed approach. Council undertakes annual benchmarking of our DWM charge against the Office of Local Government’s ‘Group 5’ councils as well as councils across the Hunter and Central Coast Waste Region. However, as Figure 2 below shows, the variability between councils’ DWM charges does not necessarily correlate with one another, nor reflect the variances in the diverse types and levels of services provided.

A preferable approach for benchmarking could be to develop a system that calculates a range of 'average charges' which considers the differences in councils’ geographic locations, and the variations in types and frequencies of service levels provided by different councils (remembering that these differing service levels have generally been requested by local communities).

Benchmarked average charge ‘categories’ could be divided into metro, regional and rural classifications, based on NSW EPA waste levy paying status, and based on high, medium, and basic service level factors. For example:

- Metro High – Weekly FOGO, Garbage and Recycling collections, ≥ 12 bulky waste collections with separate resource recovery collections (e.g. mattresses, e-waste, bundled green waste);
- Metro Medium – Weekly Garbage, fortnightly recycling and garden organics, (or weekly FOGO, fortnightly garbage and recycling), < 12 bulky waste collections with or without separate resource recovery collections;

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- Metro Basic – Weekly Garbage, fortnightly recycling, <4 bulky waste collections with or without separate resource recovery collections

Other factors that are not included in the above examples include variations between councils that own/operate their own landfills vs. contracted processing of residual waste, or that have one or more Community Recycling Centres (CRC’s) and/or reuse facilities, or that provide annual supply of compostable bin liners to residents for use in FOGO systems.

Figure 2: DWM charge comparisons do not reflect variances in service types and levels

