



**SUBMISSION - REVIEW OF DOMESTIC WASTE MANAGEMENT CHARGE - DRAFT REPORT -
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Council	Contact Name
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Thank you for the opportunity to provide feedback on IPART'S Review of the Domestic Waste Management Charge (DWMC) – Draft Report Draft Decisions.

NSC opposes the approach which IPART has proposed involving a state wide benchmark waste peg and recommends that IPART instead consider an alternative approach more similar to what was envisaged in the *Local Council Domestic Waste Management Charges Discussion Paper* issued in August 2020. Pricing principles could then be established that reflect the reality of modern waste management and the delivery of services that are for the benefit of domestic residential properties. These views are shared by the majority of councils in NSW and supported by waste industry bodies, and we strongly urge you to consider adapting your approach to reflect them.

Feedback on issues for comment

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

IPART indicated that only two choices are available – a rebalancing and benchmarking, or a peg to DWM charges of 1.1%. Neither option is acceptable.

Rebalancing and benchmarking have many inherent issues, including –

- Redefining domestic waste. For example, illegally dumped waste would not be included in the rebalancing process whilst booked clean-up services would remain within the purview of the DWMC. NSC has a significant illegally dumped waste problem insofar as its residents expect council clean-up material to be collected promptly and any such waste that isn't is immediately reported as "dumped". For NSC, separating booked clean up material from genuinely illegally dumped is extremely difficult. IPART's proposal to remove costs that are for non-complying Local Government Act domestic waste management services from future DWMC increases would lead to a decrease in the provision of such services and an overall mismatch between community aspirations for resource recovery and sustainability and council's ability to afford such programs.
- NSC residents have a high expectation for the provision of waste management services, including the ability to dispose of problem household wastes at CRC's, the speedy response to dumped rubbish reports and the consideration of innovative resource recovery initiatives which lead to a decreased reliance on landfilling. Under the IPART proposal, such programs would necessarily be funded out of Council's general revenue funds. As such, they will be competing against other council projects and could be relegated to a lower priority during budgetary considerations.
- By limiting a council's ability to accumulate provisions withing the DWMC, councils would no longer be able to provide for expected changes for future needs; for example, FO processing or expected bin rollouts for future waste contracts.
- NSC currently extrapolates that percentage of non-DWMC from education expenses. However, it is likely that the IPART requirement might become more stringent. This is a contentious issue as waste management and environment sustainability are intertwined and related education and management expenses may not be readily separable.
- There is a discrepancy in the analysis for the inclusion of corporate overheads. As a percentage of the total DMWC for NSC, corporate overheads represent 15%; IPART suggested that this number for metropolitan councils was 65%.
- Benchmarking has limited value. How can you compare two LGA's with different population and housing demographics, differing levels of access to transfer stations and/or processing facilities, differing community expectations, differing rate bases, etc. Differential pricing is a widespread commercial practice. It is akin to comparing apples to oranges. By publishing benchmarks, IPART risks stoking considerable community misunderstanding and negative backlash.
- Benchmarking could be a useful comparative tool, allowing councils to question why their cost changes differ from the norm. But it should be limited to an internal review process and not subject to widespread community analysis and condemnation.

- Benchmarking would not provide for commercial contract considerations. When a council tenders for its waste services, it is subject to competitive price pressures at that time from the commercial sector; the council cannot dictate prices. At the time of the tender, a council faces many price pressure points including the lack of competition (or interest) for the services tendered, and domestic and offshore government policies (for example, the impact China Sword had on recycling).

Conversely, a 1.1% waste peg has many more limitations, including –

- 1.1% does not meet inflationary pressures. As is evident, councils, and their commercial waste management partners (collections companies, disposal points operators) face increasing cost pressures (wages, fuel costs, supply chain issues, changes in government policies). A 1.1% peg would not cover recent price pressures.
- In theory a specific waste cost index may be acceptable provided it covers all related cost pressures and has universal acceptance as accurately reflecting changes in costs in providing the service; however, currently it will fall short of matching changes in the DWMC and rising contractual obligations. Under many councils' waste contracts, price variations are pegged to increases in the annual CPI or to a transport price index, both of which are running at an annual rate far more than the 1.1% proposed peg. The CPI is an industry standard for determining price variations as it is regarded as the broadest measure of cost pressures and, generally, realigning changes in the DWMC to reflect contractual price pressure. Additionally, previous increases in the NSW waste levy were aligned to changes in the CPI; will this remain the case?
- The 1.1% peg would lead to significant shortfalls in the DWM fund thus hampering a council's ability to provide additional waste services such as FO or FOGO (as mandated by the NSW EPA), not to mention providing basic waste services. NSC is mandated with providing value for money waste services whilst seeking to maximise resource recovery and minimising waste being landfill. Indeed, recent community consultations have highlighted that its residents expect Council to achieve this mandate. By placing funding constraints on Council, it is difficult to see how NSC could achieve this requirement. This is inconsistent with the State Governments *Waste and Sustainable Materials Strategy 2041*, objectives (such as achieving an 80% average resource recovery rate from all waste streams by 2030 and introducing a FO or FOGO collection/ processing service also by 2030); reduced funding, or the inability to recoup all costs associated with the provision of contracted waste management services, would lead to a serious financial shortfall which, in turn, would equate to a cutback in services. It is estimated that the provision of a FO collection service to NSC's residents would see an increase in the DWMC of at least 14-16%. By limiting the ability of councils to implement new resource recovery measures, commercial operators, who are demand and price driven, will be averse to take the lead; hence, we will be stuck in a landfill loop.

- The 1.1% would incentivise councils to manage (cut) costs rather than seek to provide innovative (expensive) resource recovery programs. To meet community expectations for waste minimisation and resource recovery, councils would need to increase the DWMC by more than the 1.1%. Councils that increase the DWMC by more than the 1.1% peg will be identified and their name published in IPART'S annual report. This would lead to a name and shame mentality with potential considerable community backlash.

Should the Office of Local Government publish pricing principles to guide councils on how they should recover the costs of providing domestic waste management services?

The publishing of pricing principles guidelines by the OLG would be of some benefit to councils. It would add to greater consistency and transparency in calculating and reporting DWMC. However, it should be stressed that a cookie-cutter approach would not be reflective of the true cost of providing bespoke waste management services.

Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?

In general, providing pricing principles to set the DMWC may be of assistance to councils; however, this should not a big stick exercise. In setting the DWMC councils generally only seek to recover costs associated with the provision of waste management services. Costs associated with other council services are not built into the framework of the DWMC.

NSC currently utilises the average cost methodology to apportion corporate overheads to the setting of the DWMC. It is council's view that the introduction of an incremental pricing method would have little significant benefit in establishing the DWMC; consistency of methodology is of greater benefit.