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Reference: 009-22

28 April 2022

Review of Domestic Waste Management Charges
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket NSW 1240
ipart@ipart.nsw.gov.au

Dear Sir/Madam,

Re: IPART Review of domestic waste management (DWM) charges levied by NSW local councils – consultation on Draft Report December 2021

Thank you for the opportunity to comment on the Draft Report.

I note the report follows consultation on a Discussion Paper released in 2020, during which many councils, Regional Organisations of Councils (ROCs) and industry groups provided submissions. The SCCG has reviewed the comments on the Discussion Paper and the Draft Report and provides the following comments, in response to the list of issues for stakeholder comment.

1. Do you think our proposed annual ‘benchmark’ waste peg will assist councils in setting their DWM charges?

To assist councils in setting their annual DWM charges and to protect ratepayers from unjustified price increases, IPART proposes to publish a benchmark waste peg that reflects the average annual change in costs of providing DWM services.

The SCCG believes that benchmarking waste charges is a reasonable approach to reflect the average costs of DMW across councils. However, it would be important to ensure that the benchmark waste peg would not prohibit councils increasing charges above the peg, acknowledging this is as proposed in the Report. By and large, Councils already ensure that DWM charges recover the costs of providing DWM services, not the costs of council’s other functions and services. There is also not a case of ‘one size fits all’. Councils are diverse in terms of rate base and geographic and demographic factors and many councils and ROCs have highlighted external factors impacting DWM cost drivers. As stated in the Report, two thirds of councils oppose IPART regulating charges in any form.

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

IPART proposes to recommend that the Office of Local Government publish pricing principles to guide councils on how they should recover the costs of providing DWM



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services. These principles essentially assert that DWM revenue should directly reflect cost recovery for providing DWM services. The four principles proposed are as follows:

- 01 DWM revenue should equal the efficient incremental cost of providing the DWM service
- 02 Councils 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
- 03 Within a council area, customers that are:
 - imposing similar costs for a particular service should pay the same DWM charge
 - paying the same DWM charge for a particular service should get the same level of service
- 04 Any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility.

Regarding Principle 01, it is the scope of waste management related costs and recovery of those costs that are more at issue. As it is, the principle is too simplistic.

The Report states that some of the issues previously raised by councils, such as landfill capacity and what the Waste Levy should fund are outside the scope of the Report, noting that the recently released Waste and Sustainable Materials Strategy 2041 (the Strategy) seeks to address many council concerns through its key reforms.

However, the interrelated issues in the Strategy cannot be ignored in consideration of DWM charges. Such issues include:

- Minimising waste and reusing resources efficiently in the transition to the circular economy
- Services and infrastructure to deal with waste safely and for future generations, including opportunities for joint procurement among councils for DWM services.

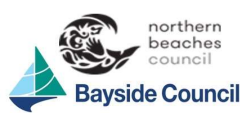
These issues directly impact the cost of providing DWM services and associated charges; for example, proposed separation of organics. The SCCG strongly argues for a more holistic approach to cost recovery related to waste management that embodies the strategic directions of the Strategy.

The picture of funding to Councils for waste management is complex, involving a mix of general rates, contestable (grants) and non-contestable (Waste Levy) Government funding. The Report states that education costs directly related to sorting of waste and inspections of bins should be included to the extent education helps reduce the level of contamination in recyclables and lowers landfill costs. Other functions related to waste which do not involve the periodic collection of domestic waste from households should be funded through general rates. The Report also states that to the extent that the functions do not involve the periodic collection of domestic waste from premises, the following costs are identified as not to be collected through DWM charges:

- street sweeping
- public place rubbish bins
- general litter reduction campaigns not related to collecting domestic waste
- cleaning up illegal dumping.

The SCCG considers there is a strong argument that these services should form part of the suite of waste management services that can be funded under the DWC. After all, these services result in additional volumes of waste going to landfill that contribute to a Council's Waste Levy payment.

Equally, initiatives to minimise waste and reuse resources efficiently should also be eligible for funding under the DWM charge, as these initiatives help reduce waste going to landfill and as such, have a direct influence on the amount of the Waste Levy that councils are required to pay.



The picture of funding made available for Councils for waste management services is quite uncertain and further supports the argument for a more expansive coverage of the suite of waste management services, under the WMC. We note the next round of *Waste Less Recycle More* funding ie. beyond 2017-21 has not yet been announced. As we understand, it is likely that a lesser amount of the Waste Levy will go to the non-contestable component of funding for councils, creating an onus on councils to fund the breadth of waste management services from other sources ie. general rates and/or contestable funding. Furthermore, the proportion of Waste Levy revenue returned to councils and/or made available for grants has been trending downwards over some years, whilst the Waste Levy has increased.

The SCCG considers that Councils should have more flexibility in funding all waste management related services through the DMW charge.

The SCCG considers the remaining proposed Principles 02-04 are reasonable.

3. 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 pricing principles?

The SCCG believes that any development of detailed examples to assist in interpreting any pricing principles would have regard to the full range of waste management services expected to be and currently provided by councils, as outlined in our discussion for Issue 2, above.

Summary of recommendations

In summary of the previous discussion, the SCCG supports the following:

1. Benchmarking of DWM charges, provided councils may increase charges above the peg where justified, as is currently proposed in the Report.
2. DWM charges that are not set in isolation but considered holistically, in conjunction with waste minimisation, reuse and recycling initiatives under the NSW Sustainable Waste and Sustainable Materials Strategy 2041.
3. Councils to be afforded more flexibility under the DWM charge to fund all waste management services which directly impact the volume of waste going to landfill and the resultant Waste Levy charges to Council:
 - i. Services that create increased volumes of waste, including collections of waste from street sweeping, public place rubbish bins, littering and illegal dumping.
 - ii. Services that result in reduced volumes of waste to landfill, including waste minimisation and resource reuse initiatives, education and litter reduction campaigns.

Yours sincerely,



Sarah Joyce
Executive Officer

