



Independent Pricing and Regulatory Tribunal
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Email: ipart@ipart.nsw.gov.au

28 April 2022

Dear IPART Tribunal

Re: Review of Domestic Waste Management Charges

Thank you for the opportunity to provide feedback on the Independent Pricing and Regulatory Tribunal's (IPART) *Review of Domestic Waste Management Charges* draft report.

The Waste Management and Resource Recovery Association of Australia (WMRR) is the national peak body for all stakeholders in the essential Waste and Resource Recovery (WARR) industry. We have more than 2,000 members across the nation, representing a broad range of business organisations, the three (3) tiers of government, universities, and NGOs.

Our members are involved in a range of important waste management and resource recovery activities within the Australian economy, including community engagement and education, infrastructure investment and operations, collection, manufacturing of valuable products from resourced recovered materials, energy recovery, and responsible management of residuals.

Local governments play a significant and integral role in delivering essential WARR services to households and WMRR agrees with IPART's overarching intent of the review, which is to ensure Domestic Waste Management (DWM) charges deliver good value for ratepayers while attempting to develop an approach that is proportionate and effective. However, WMRR queries if IPART has undertaken sufficient or appropriate analysis of the true cost of genuine recycling against today's policy and regulatory landscape – noting that in the paper, IPART acknowledges that it has insufficient data and evidence to determine the contributors to price increases and variability – and if these costs are well articulated to, and understood by, the community. Further there would also appear to be insufficient analysis of the different services that are offered, the challenge of delivering this service in differing locations and different demographics and markets. These deficiencies, as well as a number of other issues and factors detailed below, beg the question of how IPART will be able to both quantify and qualify “good value” while ensuring that public health and the environment are protected and enhanced, as well as the delivery of a quality service to the community that meets their respective requirements.

In order to introduce such a peg, the NSW government would need to develop and introduce new standard contracts, as well as re-tender these with exactly the same specifications, which would be a very costly exercise, result in a number of councils getting into protracted contract disputes, and

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possibly lead to a diminution of service for a great number of councils. The question is, to what end and how does this align with state adopted targets of increased services to households?

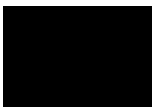
While WMRR's full submission can be found below, we are very concerned that IPART's proposal will result in a number of unintended consequences, including hindering investment in much-needed WARR infrastructure, which is already severely lacking in NSW, as well as adding undue and unnecessary pressure on councils, reduced service delivery, and potential impacts on safety, both to the environment and workers.

Councils have vastly different communities, geographical areas, and management plans, and there are multiple factors that could impact service costs and resultant charges, as alluded to by IPART. Therefore, there must be the continued ability to charge DWM charges based on these. While WMRR appreciates IPART's decision not to set a limit on annual DWM charges made for local councils for 2022-23 and supports its principles to ensure transparency and accountability by seeking details of DWM services, its proposal to set a benchmark waste peg still runs the risk of a race to the bottom, creating a barrier to greater investment in the state, which would impact building community infrastructure and services that are essential for the protection of community and the environment, and critical in sustaining a strong circular economy.

As mentioned in the report, what is required are transparent and concise pricing principles established and enforced as a matter of priority by the Department of Local Government, which are clear on what within a Council's budget can be attributed to the DWM charge. There is a real possibility that the ambiguity that exists at present has led to some of the current concerns, given the possible cost shifting to this area of council's budget. It is our strong submission that essential services provided for waste and resource recovery should not be compromised or reduced due to this, particularly given the jobs and investment opportunities that our industry creates, and a peg should not be introduced.

Please do not hesitate to contact the undersigned if you would like to further discuss WMRR's feedback.

Yours sincerely



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SUBMISSION

Question	Section(s)	WMRR's response
<p>1. Do you think our proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?</p>	<p>3.1</p>	<p>WMRR unequivocally opposes IPART's proposal to set an annual 'benchmark' waste peg for the following reasons:</p> <ul style="list-style-type: none"> • Local governments provide variable services to their communities in line with community expectations, adopted state WARR strategies and targets, demographic factors such as proximity to sites, evolving policy and regulatory changes, and more. A one-size-fits-all approach to DWM charges is simply unworkable as it is a one-dimensional view that does not take into consideration the differing principles, performance and cost objectives, and environmental goals that councils have, which drive their contracts and service levels. Greater analysis on the variable impacts of unavoidable cost increases between councils is needed as this will clearly show why a benchmark peg is not, in-principle, an appropriate mechanism. • The proposed 1.1% peg does not take into account a number of factors (listed in the next point), including CPI. CPI increases have already been captured in current contracts, meaning this peg is wholly insufficient to cover any changes, much less CPI. In order to commence such a peg, there would need to be new standard contracts developed and introduced, as well as tendered for with exactly the same specifications, which would be a very costly exercise for councils and possibly result in protracted contract disputes, as well as a diminution of service to a great number of councils. As noted above, the question is to what end and who will meet the costs of this, and how does this align with state adopted targets of increased services to households. • A benchmark peg does not adequately consider unforeseen costs and changes, such as international market impacts, disaster waste management, pandemics, regulatory changes (e.g., MWOO), policy

shifts (e.g., CDS), and changes to liabilities such as insurance. It is especially concerning that IPART is proposing to calculate the Waste Cost Index (WCI) for the 2022-23 benchmark waste peg by constructing a 'basket' of cost items based on the information provided by councils on DWM expenditure in 2017-18 and 2018-19 as part of the 2019 Local Government Cost Index (LGCI) survey. This information will be wildly inaccurate given the momentous changes and events that have occurred between 2017 and 2022, including the ongoing COVID-19 pandemic, spate of natural disasters such as the fires in 2018-19, floods in 2020 and 2022, national policy changes including the commencement of the waste export bans, significant rise in fuel prices, to name a few, which have resulted in fluctuations of waste volumes and management costs. Further, it would appear that not all service costs were modelled, with services such as AWT, garden organics, or landfill contract variations as well as contract development, replacement bins, MUD upgrades, audits, trials/pilots being some of the exclusions from the modelling. WMRR cannot comprehend how IPART can effectively set a benchmark peg based on the cost of items prior to these major events and excluding these essential services and believes the peg would be extremely undervalued. WMRR also cannot understand why there is a true need for this peg given the obvious impact on service delivery standards it would have. Further, as the current NSW levy rate increases at a rate of CPI, it seems nonsensical that the increase proposed by IPART is currently less than half that amount.

- As highlighted in the paper, the NSW government has released stage one (1) of its Waste and Sustainable Materials Strategy (WASM) 2041, which sets out actions for the state to take till 2027. Amongst the actions and focus areas is a commitment to mandate food and garden organics (FOGO) collection for all NSW households, alongside a plan to expand the state's network of WARR infrastructure. IPART has stated

		<p>that in setting the benchmark waste peg, it will use a similar methodology to the one used to calculate the change in the LGCI, which does not cover any service enhancements or introductions. Thus, WMRR is seeking clarification over how local councils can meet the objectives of the WASM, specifically, how new services and infrastructure to facilitate these actions will be paid for.</p> <ul style="list-style-type: none"> • WMRR does not believe that IPART fully appreciates the complexity, cost, and timeframes of developing and rolling out these initiatives. In a competitive and disperse marketplace, the changes in costs related to new/improved services and infrastructure will be reflected in the contract, and these costs must be funded and then captured in the DWM charges. Not doing so and simply setting an arbitrary benchmark peg will prevent investment in new infrastructure and services, which means local government will struggle to introduce the new services mandated by the NSW government in the WASM. Further it will add pressure on councils to strip back (at best) or drop (at worst) services such as community education and engagement, expansion of Community Recycling Centres that deal with problematic waste, drop-off events, illegal dumping, and more, all of which are aimed at reducing waste to landfill - the highest cost in municipal services, which goes up year on year at a rate more than double that proposed by IPART for its rate peg. Not only will this hamper our journey towards a more circular economy and greater landfill diversion, but it will also have a significant impact on environmental and public health.
<p>2. Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?</p>	<p>3.2-3.3</p>	<p>While WMRR supports the notion of developing pricing principles as guidance for councils instead of imposing a benchmark peg, there are several issues with the proposed principles in IPART's paper.</p> <p><i>Principle one (1) – DWM revenue should equal the efficient incremental cost of providing the DWM service</i></p>

- The paper notes that councils can apply for a special variation; this process can be protracted and has no certainty of outcome. How can a council enter into a contract with this uncertainty?
- A greater understanding of what should be removed from the DWM charge needs to be achieved, for example cleaning up illegal dumping – if this occurs in front of a home, would it constitute a domestic waste service? And should this instead be funded through general rates? If there is no agreement, clarity, and certainty, there may be several unintended consequences as these services will still proceed but will need to compete for the same pool of money with other council programs, limiting the resourcing and services councils can provide.
- The education costs that may be collected through DWM charges should include all those that reduce disposal (i.e., avoidance) and increase the quality of recycling. IPART is urged to consider the value of waste and resource recovery education in our transition to a circular economy, which is based on three (3) principles, the first of which is avoiding the creation of waste. This is an aspect that is sorely lacking in current community education and should be included as both a valuable and essential component of any community engagement campaign as it will have long-term benefits, including increased diversion from landfill (disposal being a large cost) and a decrease in waste generation (which will positively impact rates).

Principle two (2) – Councils should publish details of all the DWM services they provide, the size of the bin, the frequency of collection, and the individual charges for each service

- WMRR supports the publication of the details in principle two (2) as this supports transparency and accountability to the ratepayer; however, we query if a ‘name and shame’ process that highlights councils whose DWM charges have increased by more than the benchmark peg, including an explanation for the increases, is an



		<p>appropriate public policy mechanism. This expectation is not supported as it risks a race to the bottom.</p>
<p>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 the pricing principles?</p>	<p>3.2-3.3</p>	<p>Yes, this would assist, given the obvious difference in understanding and approach that is currently being adopted.</p>