

# Domestic waste management charges - Discussion Paper

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Question	Response
<b>Feedback and Submission Form</b>	
Industry	Local Government
Review	Review of domestic waste management service charges
Document Reference	c1e253a1-4210-41d3-97de-3be8f315fce7
1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?	See attached
2. If there are concerns, how should IPART respond? For example, if IPART was to regulate or provide greater oversight of these charges, what approach would be the most appropriate? Why?	See attached
3. Would an online centralised database of all NSW councils' domestic waste charges allowing councils and ratepayers to compare charges across comparable councils for equivalent services (eg, kerbside collection), and/or a set of principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?	See attached
4. Do you have any other comments on councils' domestic waste management charges?	See attached
5. Which Council do your comments relate to?	See attached
Your submission for this review:	
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">Waste Wise - Submission NSW IPART discussion paper regarding DWM service charges.pdf</a>
<b>Your Details</b>	
Are you an individual or organisation?	Organisation
If you would like your submission or your name to remain confidential please indicate below.	Publish - my submission and name can be published (not contact details or email address) on the IPART website
First Name	Anthony

Last Name	Zammit
Organisation Name	Waste Wise Environmental
Position	State Manager (NSW)
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

Tuesday 6<sup>th</sup> October 2020

## **RE: Submission to the NSW IPART discussion paper regarding Local Government Domestic Waste Management Charges**

Waste Wise thanks the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to make a submission with respect to IPART's discussion paper on local council domestic waste management (DWM) charges ([August 2020](#)).

### **About Waste Wise**

Waste Wise are a commercial and industrial (C&I) waste collection operator predominantly established in Victoria and NSW. Waste Wise provide waste collection services for C&I and medium to high-rise residential premises. Waste Wise operates an established collection operation that provides competitive servicing for its clients, while also contributing to meeting the growing commercial and domestic market, and improving sustainability outcomes through its services. This is in line with community expectations for competitive pricing models for collection services, in particular for servicing of Multi-unit dwellings (MUDS) in urban areas. Waste Wise's collection business in Melbourne currently operates a fleet of approximately 30 vehicles (including a mix of 5.5t – 16t payload), with a growing fleet also operating out of metropolitan Sydney.

Waste Wise Environmental works with its customers to reduce the environmental impact of their waste by implementing a modern and efficient waste management and recycling system, including:

- Removing waste from sites site and ensuring that it is recycled.
- Implementing independent safety management systems.
- Educating residents and staff about waste management and recycling.

Waste Wise provides a collection service for domestic waste management (DWM) as an alternative to local councils for residential waste collection, and supports IPART's review of DWM charges, their structure and implications for residents and the waste industry as a whole.

## Discussion Paper Summary

IPART has commenced a review of domestic waste management service charges and released a discussion paper on 18 August 2020. It is understood that IPART commissioned Marsden Jacobs Associates to investigate the DWM charges, looking at:

- The role of local councils in DWM;
- The way in which local councils provide DWM services;
- The structure of the DWM market, and market concentration; and
- Barriers to entry to the DWM market.

In summary, IPART's analysis shows:

- There is a wide variation in charges and no correlation to either the landfill levy, residential density or other council characteristics;
- There is little transparency for ratepayers on what these charges are used for; and
- Councils may be inexperienced in contract negotiation compared to commercial waste operators.

As a result of this analysis, IPART is concerned that the charge may not be delivering good value for ratepayers.

## About domestic waste management charges

The proposed pricing principles are set out in Box 3.1 of the review document (reproduced below):

- DWM charges should reflect a 'user pays' approach
  - DWM charges should recover the costs of providing DWM services, not the council's other functions and services
  - Incremental cost allocation should be applied
  - Social programs should be funded from general rates revenue
- Only reasonable cost categories should be reflected in DWM charges
- DWM charges should reflect efficient costs
- DWM charges should be transparent
  - To assist local councils
  - To assist customers
- DWM charges should seek to ensure price stability.

## Response to Questions

### 1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?

Yes.

The number of MUDs being developed in urban area has experienced rapid growth in the past decade and will continue to grow into the future. The associated waste management challenges include physical barriers such as distance to bin storage areas, particularly when bins are located in basements with no or limited access for standard sized waste trucks. Council kerbside waste collection is often unviable for larger MUDs and developments with limited loading or basement access (namely due to height restrictions). Waste Wise provides a specialist service to assist its clients maintain sustainable outcomes for the management and collection of their waste.

Councils, in accordance with the Local Government Act 1993 No 30, Section 496 (1) and (2) “must make and levy an annual charge for the provision of domestic waste management services for each parcel of rateable land for which the service is available”.<sup>1</sup> At present, there are no exemptions from Council DWM charges even and in particular, when Council and its contractor is unable or is chosen not to provide collection services. In general, Council DWM charges include the cost of providing a waste collection service to local residents (such as labour, fleet maintenance, fuel, etc) and the cost of disposal (including the NSW waste levy and/or other gate fees). For residents that elect to utilise a private waste collection, the Council DWM charge applied often inhibits a fair and competitive pricing from private operators as a cost-efficient alternative to Council.

A majority of NSW Councils levy DWM charges from residents that retain the cost of disposal, regardless of the actual use of Council services. Residents are being charged twice in this scenario, when having to pay full Council DWM charges in addition to private contractor fees. Should a residential property choose not to utilise Council’s waste service, no waste is being collected by Council and therefore, there is no cost to Council for the disposal of that waste, and the associated fee need not apply to residents.

In some cases, Councils have adopted a “service availability” or “cleansing” charge which is applied to residential properties that **do not** utilise Council’s waste collection service. This alternative charge represents a nominal proportion of the standard DWM charge, covering the cost of making waste services available to residents Council-wide. In this scenario, private waste contractors are often able to be competitive for their residential clients and provide waste services without onerous Council fees being a restrictive factor.

In accordance with the Council Rating and Revenue Raising Manual, reasonable cost in the context of charging for DWM services are to be both reasonable and efficient. Councils are usually the monopoly providers, creating a non-competitive model for DWM charges. It excludes private operators to enter the market or, and due to Council charges, disables market power to provide the most reasonable and efficient cost to clients.

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<sup>1</sup> NSW Local Government Act 1993 No.30: <https://www.legislation.nsw.gov.au/view/html/inforce/current/act-1993-030#sec.496>. Accessed 16<sup>th</sup> Sep 2020.

**2. If there are concerns, how should IPART respond? For example, if IPART was to regulate or provide greater oversight of these charges, what approach would be the most appropriate? Why?**

The growing prevalence of MUDs over the last 10 years has occurred without specific considerations to waste and recycling guidelines for high-density residential development. Councils have become more limited in their capability to collect from challenging sites, but remain the only mandated authority to charge for and provide waste services to residents.

Waste Wise suggest the following approach to address abovementioned concerns:

1. Acknowledge the private sector for DWM by discounting charges where private operators provide DWM services to residents, instead of Council.
2. Highlight the importance of private DWM contractors as an alternative to Councils by developing an opt out option for Council DWM charges.
3. Include recommendations for private DWM services in guidelines for the development of MUDs.
4. Support the development of a more competitive private market for DWM by exemption and/or discounting Council DWM charges where Council cannot or does not provide DWM to enable a competitive and market regulated price for DWM services.
5. Councils to provide transparency around reasonable costs when **not** providing DWM services to identify potential discounts and savings to rate-payers.
6. Develop pricing principles for DWM charges to enable a fair and competitive process for pricing of DWM between Council and private operators.
7. Councils provide clear breakdown of DWM charges on individual rates notices.

**3. Would an online centralised database of all NSW councils' domestic waste charges allowing councils and ratepayers to compare charges across comparable councils for equivalent services (eg, kerbside collection), and/or a set of principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?**

Yes.

However, the IPART discussion paper assumes for Council to be the only provider of DWM. The private sector for DWM is engaged on the base of Council tendered waste contracts to provide waste collection to businesses and residents. Council should not have a monopoly on DWM when the market could provide lower and more competitive prices for DWM services.

Waste Wise is a private operator in a fast-growing sector of the waste and resource recovery industry and in a position to deliver better value for ratepayers and particular a competitive and cost-reflective pricing model to Councils. Variations to DWM prices would be controlled by the market.

**4. Do you have any other comments on councils' domestic waste management charges?**

Waste Wise makes the following comments:

1. Agrees with IPART's assessment of Local Councils being monopoly provider.
2. Disagrees that Council is the only provider of DWM services and that "there is little or no competition in the market for the provision of DWM services to local council residents."<sup>2</sup> The monopoly position of council, whereby private industry is exclusively engaged on the base of procurement and providers usually drawn from a highly concentrated pool of private operators, creates barriers for market entry and competition of smaller and specialised private service providers such as Waste Wise.
3. In order to meet current demand on DWM, Council procurement should either separate procurement for areas within their Local Government Area (LGA) with high concentration of challenging properties or enable rate payers to obtain exemption from, or a discount on their DWM charges where Council or Council's provider does not offer services suitable for a site. This would significantly contribute to an effective competition in the market for outsourced DWM services.

Sincerely,

Anthony Zammit

Wase Wise (NSW) State Manager

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<sup>2</sup> IPART Discussion Paper, pg. 8