

Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket Post Shop
NSW 1240

Your Ref:
Our Ref: **Z22/77097**
File: **IW-300.030**
Date: **29 April 2022**

Dear Sir/Madam

REVIEW OF DOMESTIC WASTE MANAGEMENT CHARGES - SUBMISSION FROM CITY OF WOLLONGONG

Thank you for providing the opportunity for Wollongong City Council to provide comment on the Review of Domestic Waste Management Charges Draft Report (December 2021).

IPART's Local Council Domestic Waste Management Charges Discussion Paper (August 2020) recommended the adoption of pricing principles and establishing a monitoring, reporting, and benchmarking regime. Councils would apply the pricing principles to 'rebalance' costs attributed between the domestic waste management (DWM) charge and general rates, with a one-off variation to Council's general rate base allowed in 2022/23. IPART would monitor 'like for like' councils against their benchmarks and report on outlier councils each year, with outliers triggering a 'please explain' or potential regulatory response.

The Review of December 2021 recommends an alternate process which we understand to be as follows:

- An annual 'benchmark' waste peg (1.1% for 2022-23) will be published to provide guidance on the reasonable costs of providing DWM services and how they have changed over the previous year.
- The DWM benchmark waste peg is proposed to be calculated based on a Waste Cost Index (WCI) considering 26 items taken from DWM expenditures in 2017-18 and 2018-19, IPART's Local Government Cost Index (LGCI) which determines the weight of each expenditure item to the total value of the basket, and ABS price indexes to measure changes in wage costs, producer, and consumer indexes.
- Councils can voluntarily increase DWM charges beyond the benchmark waste peg but must provide an explanation for the reasons for doing so. Councils can also apply for a special rate variation to increase the DWM charge.
- An annual report will be published which will include councils that have increased their DWM charges beyond the benchmark waste peg, and the justification provided by Councils.
- OLG to publish pricing principles in their Council Rating and Revenue Raising Manual on how to set DWM charges to ensure they reflect the costs of providing the service and best value for ratepayers.

Wollongong City Council considers the rebalancing approach to be more effective and flexible as this would allow time to rebalance the DWM charge with general rates based using clear principles. This would enable Councils to adjust the DWM charge moving forward to accommodate the delivery of high-quality services and meet NSW Government mandates and community expectations, while providing the consistency and transparency that the community and IPART are seeking. Further comments are included in the responses to IPART's questions below.

Responses to IPART Questions

1. ***Do you think the proposed annual benchmark waste peg will assist councils in setting their DWM charges?***

We are unsure how setting a benchmark waste peg will assist in setting DWM charges. Wollongong City Council has continued to set our annual DWM charge:

- To provide a modern domestic waste service that meets customer and statutory requirements.
- At the reasonable cost of providing the service.

While the councils will be able to set charges above the annual benchmark, Wollongong City Council is concerned that the public will consider this approach in a similar manner to the general rates peg, i.e., that any charges above the peg, no matter the reason, will be considered unreasonable, particularly by members of the public who do not have a full understanding of waste service provision.

While publishing a benchmark waste peg report might assist in educating the community about how DWM charges are apportioned by councils, we are concerned that councils will not raise DWM charges above the benchmark waste peg to avoid being named by IPART in an annual report, due to the potential adverse community and media scrutiny. As specified in the Review, Councils could apply for a special general rate variation to introduce an EPA-mandated service such as FOGO, however we believe this would be resource intensive and may lead to similar adverse community and media scrutiny.

The benchmark waste peg doesn't seem to consider that Councils may commence with different DWM baseline charges. Councils may be disadvantaged as follows:

- Councils who have been charging less or haven't imposed increases in recent years to assist communities during the COVID-19 pandemic. For example, Page 1 of the Review states that 'Total DWM charges revenue in NSW is \$1.29 billion (2018–19) each year. This is 28% of councils' total annual revenue'. For the 2022-23 Financial Year, the DWM charges of Wollongong City Council is approximately 20% of the total annual revenue.
- Councils that have historical errors in calculations that have been absorbed through varying rate increases.
- Councils that experience or severe natural disasters.
- Councils with legacy issues including closed sites with fixed costs.

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

Wollongong City Council understands that the principles are:

- DWM revenue should equal the efficient incremental cost of providing the DWM services.
- 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.
- 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.
- Any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility.

Wollongong City Council agrees that the detailed pricing principles could assist in the setting of DWM charges to achieve best value for ratepayers and determine what is a reasonable cost. The principles provided however aren't detailed enough to cover the following:

- To link charges with full-service provision.
- To reflect the variations between councils including changes in population density and infrastructure requirements to service community needs and expectations.
- To allow for variables in line with market pressures and fluctuations.

The pricing principles could be improved by considering the following:

- Ensuring that councils are being equally compared, i.e., like for like services, particularly when any increases above the benchmark waste peg will be scrutinised by the public.
- Variations between councils include size (distance travelled), population density and demographics. Even in a joint contract there are different pricing options and considerations e.g., the number of bins collected per km.
- Funding for the pensioner concessions needs to be incorporated in the DWM charges. There will be variations between councils regarding aging populations. Those councils with large aging population may be placed at disadvantage compared to those with younger populations.
- Consider flexibility in contracts and pricing for environmental benefits that may lead to increased costs. For example, Wollongong City Council currently charges proportionally more for larger bins than smaller bins to discourage larger bins and promote waste diversion.
- Regulatory requirements including Waste and Sustainable Materials Strategy (WaSM) targets, EPA Waste Delivery Plan and NSW Plastics Action Plan.
- Community expectations set out in the Community Strategic Plan, Delivery Program and Operational Plan around reductions in greenhouse gas emissions, waste to landfill and odour

The assumption that the application of our recommended pricing principles should result in councils' charges for multi-unit dwellings (MUDs) being lower than the full DWM charge is incorrect for Wollongong City Council. MUDs in the Wollongong Local Government Area sometimes require additional services or smaller collection vehicles due to their bin storage capacity and height restrictions resulting in higher costs. The introduction of FOGO to MUDs may increase the need for variable servicing of MUDs which will further increase costs for councils without any way of recuperating funds. The principles need to include this and similar scenarios, including additional costs for assisted collection such as wheel out services.

Wollongong City Council is concerned that the following activities currently funded in part by the DWM charges may no longer be eligible including:

- Community Recycling Centres.
- Clean-up Australia Day and other community events.
- Green waste drop-off events that encourage hazard reduction.
- Illegal dumping investigation and clean-up. Illegal dumping clean-up by Wollongong City Council RID officers would need to be funded through general rates under the current proposal despite Wollongong City Council's waste data from the past 12 months showing that more than 65% of illegal dumping was household domestic waste.

It is our view that either the definition of waste contained in the Local Government Act, or the pricing principle should be expanded, to include all services and functions that relate to the minimisation, management and highest order recovery of waste that is generated by domestic rateable properties and residents or visitors staying in or on those properties.

3. *Would it be helpful to councils if further detailed examples were developed to include in the OLG's council rating and revenue raising manual to assist in implementing the pricing principles?*

Further detailed examples may assist councils with implementing the pricing principles. Examples detailing "efficient incremental costs" and simplifying this process would be welcome. These could include:

- How much of a General Manager's/Director's/Manager's time should be allocated?
- Capital costs recovered over the life of the asset?
- What capital costs are reasonable?
- How costs associated with emergency waste impacting the life of the cell such as floods, fires, asbestos contaminated soils should be accounted for?

While efficient pricing tends to suggest that councils could build reserves to cover the costs of asset acquisition and maintenance, IPART have stated that councils will not be able to charge for a service that residents do not have access to, which means any new facilities or services, if they require capital, would need to be financed. Clarification on whether councils will need to fund these assets upfront and recover the costs once the asset is in use and it is accessible to residents would be of assistance.

It should be noted that the baseline data used by IPART in the review was prior to the:

- major impact of the China Sword.
- introduction of the Container Deposit Scheme that impacted the refund sharing between Councils and the Material Recovery Facility Operators and increased treatment charges.

Thank you again for the opportunity to provide a submission on these proposed changes.

Please contact Melinda Hale, Strategic Projects Coordinator via our Customer Service team on (02) 42277111, should you require further information.

This letter is authorised by

Joanne Page
Director Infrastructure and Works
Wollongong City Council
Telephone (02) 4227 7111