

# Domestic waste management charges - Discussion Paper

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Question	Response
Feedback and Submission Form	
Industry	Local Government
Review	Review of domestic waste management service charges
Document Reference	c1e253a1-4210-41d3-97de-3be8f315fce7

<p>1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?</p>	<p>CRJO members support the prices they charge ratepayers for waste management services. The charges are determined in accordance with the requirements of the Local Government Act and reflect the cost of undertaking waste management activities. Further, the community is explicitly involved in the process of determining what waste management activities are offered in each Local Government Area (LGA). This involvement occurs through the development of waste management strategies and through Community Strategic Plans, Delivery Plans and Operational Plans developed in accordance with the Local Government Act. Councils within CRJO have varying costs depending on their circumstances and these cost variations are reflected in the charges levied for domestic waste management services. For example, the location of centralised landfills will result in lower transport costs for some Councils, while increasing the costs for others. Similarly, operation of multiple smaller landfills in a Council area results in a comparatively inefficient operation resulting in a higher landfilling cost. This is just one example for variance in domestic waste management costs – there are multiple other reasons why the costs vary between seemingly similar local government areas. The CRJO members who contributed to this submission believe that communicating the council's costs to residents will help with the community's perspective on the price rate. This communication should detail the true cost to the relevant Council and not be compared to generalised costs across all Councils in NSW.</p>
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<p>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?</p>	<p>Responding Councils support lighter regulation/oversight in this area as they consider that appropriate oversight is already provided through the requirements of the Local Government Act. If IPART was to increase oversight of this area, it is suggested that consultation with individual Councils is the appropriate regulatory approach. This approach will enable IPART to understand what services Councils are providing and how they relate to the costs. In addition, it is suggested that IPART could use the information already provided to the Office of Local Government and the NSW Environment Protection Agency. CRJO members caution against the use of generalised costs and assumptions for benchmarking purposes. The use of benchmark numbers or other standardised values for comparison purposes can be misleading. For example, two hypothetical LGAs both with a population of 50,000 residents will have vastly different kerbside collection costs if one Council is a densely populated urban area and the other is a larger regional Council with far lower population density.</p>
<p>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?</p>	<p>CRJO members do not support a centralised database as described. Firstly, the information is currently available to regulators and ratepayers through numerous existing reporting paths. An additional requirement to provide data to another regulator would only result in additional overheads and costs for ratepayers, which is likely not the intend of this review. Secondly, the comments about 'generalised values' made in response to Question 2 are relevant in this question as well. Member Councils are of the opinion that a centralised database will result in misleading comparisons for ratepayers. This will result in a substantial increase in time spent and cost incurred by member Councils on correcting these misunderstandings. In general, member Councils support improved guidance on what costs can and cannot be included in domestic waste management costs, particularly with respect to appropriate levels of corporate and administrative overheads that can be levied on the domestic waste management fund.</p>

4. Do you have any other comments on councils' domestic waste management charges?	The IPART discussion paper makes no reference to waste diversion rates. Although the setting of diversion targets is a matter for NSW Environment Protection Agency, a failure to consider the impact of the targets, the relative progress individual Council's have made towards the targets and the consequent impact on costs means that cost comparisons are not valid. CRJO members believe that this does not provide appropriate information to ratepayers. A few councils in the region have their costs itemised on the rates notice. The itemised charges provide residents with the option to review the services they require and are paying for.
5. Which Council do your comments relate to?	The 10 Councils within Canberra Region Joint Organisation: those that responded were Wingecarribee, Queanbeyan Palerang, Hilltops, Goulburn Mulwaree and Bega Valley Shire
Your submission for this review:	
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">CRJO Submission - IPART Domestic Waste Management Charges Review.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	Natasa
Last Name	Sojic
Organisation Name	Canberra Region Joint Organisation
Position	
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy



**CANBERRA REGION**  
JOINT ORGANISATION

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## CRJO Submission to IPART Domestic Waste Management Charges Review

Our Region...

Dynamic

Innovative

Connected

...Compelling!

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## Context

The Canberra Region Joint Organisation (CRJO) represents 10 councils in South-East New South Wales. The NSW member councils are:

- Bega Valley Shire Council
- Eurobodalla Shire Council
- Goulburn Mulwaree Council
- Hilltops Council
- Queanbeyan-Palerang Regional Council
- Snowy Monaro Regional Council
- Snowy Valleys Council
- Upper Lachlan Shire Council
- Wingecarribee Shire Council
- Yass Valley Council

The CRJO has a Waste and Resource Recovery working group that meets monthly to discuss collaborative progress on the Regional Waste Strategy (2018-2023).

All member Councils were consulted on this submission and five Councils (Wingecarribee, Queanbeyan Palerang, Hilltops, Goulburn Mulwaree and Bega Valley Shire) sent through responses.

Canberra Region JO's vision is to be a leader in waste minimisation and resource recovery through collaborative best practice.

The CRJO has prepared a submission on behalf of the ten member councils to the IPART submission.

## General Feedback

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

CRJO members support the prices they charge ratepayers for waste management services. The charges are determined in accordance with the requirements of the *Local Government Act* and reflect the cost of undertaking waste management activities. Further, the community is explicitly involved in the process of determining what waste management activities are offered in each Local Government Area (LGA). This involvement occurs through the development of waste management

strategies and through Community Strategic Plans, Delivery Plans and Operational Plans developed in accordance with the *Local Government Act*.

Councils within CRJO have varying costs depending on their circumstances and these cost variations are reflected in the charges levied for domestic waste management services. For example, the location of centralised landfills will result in lower transport costs for some Councils, while increasing the costs for others. Similarly, operation of multiple smaller landfills in a Council area results in a comparatively inefficient operation resulting in a higher landfilling cost. This is just one example for variance in domestic waste management costs – there are multiple other reasons why the costs vary between seemingly similar local government areas.

The CRJO members who contributed to this submission believe that communicating the council's costs to residents will help with the community's perspective on the price rate. This communication should detail the true cost to the relevant Council and not be compared to generalised costs across all Councils in NSW.

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?

Responding Councils support lighter regulation/oversight in this area as they consider that appropriate oversight is already provided through the requirements of the *Local Government Act*.

If IPART was to increase oversight of this area, it is suggested that consultation with individual Councils is the appropriate regulatory approach. This approach will enable IPART to understand what services Councils are providing and how they relate to the costs. In addition, it is suggested that IPART could use the information already provided to the Office of Local Government and the NSW Environment Protection Agency.

CRJO members caution against the use of generalised costs and assumptions for benchmarking purposes. The use of benchmark numbers or other standardised values for comparison purposes can be misleading. For example, two hypothetical LGAs both with a population of 50,000 residents will have vastly different kerbside collection costs if one Council is a densely populated urban area and the other is a larger regional Council with far lower population density.

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 (e.g., kerbside collection), and/or a set of principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?

CRJO members do not support a centralised database as described.

Firstly, the information is currently available to regulators and ratepayers through numerous existing reporting paths. An additional requirement to provide data to another regulator would only result in additional overheads and costs for ratepayers, which is likely not the intend of this review.

Secondly, the comments about 'generalised values' made in response to Question 2 are relevant in this question as well. Member Councils are of the opinion that a centralised database will result in misleading comparisons for ratepayers. This will result in a substantial increase in time spent and cost incurred by member Councils on correcting these misunderstandings.

In general, member Councils support improved guidance on what costs can and cannot be included in domestic waste management costs, particularly with respect to appropriate levels of corporate and administrative overheads that can be levied on the domestic waste management fund.

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

The IPART discussion paper makes no reference to waste diversion rates. Although the setting of diversion targets is a matter for NSW Environment Protection Agency, a failure to consider the impact of the targets, the relative progress individual Council's have made towards the targets and the consequent impact on costs means that cost comparisons are not valid. CRJO members believe that this does not provide appropriate information to ratepayers.

A few councils in the region have their costs itemised on the rates notice. The itemised charges provide residents with the option to review the services they require and are paying for.

### Feedback on listed questions

#### 1. Is it a concern that DWM charges appear to be rising faster than the rate peg? Are there particular cost-drivers that may be contributing to this?

Yes. The increasing DWM charges are a direct result of increasing costs of providing services. This includes the impact of increasing diversion rates and the impact of large external shocks such as COVID19 and the Chinese National Sword Policy. Combined, the costs of providing the service are rising at or above CPI rates, which are greater than the rate peg.

The contributing cost drivers include:

- Contractual agreements
- Contracts tied to CPI increases
- Toll increases
- Waste levy
- Higher costs incurred on disposal of the recycling stream

The DWM charges are increasing faster since China banned the import of most plastics and other recyclable wastes in early 2018 (also known as the 'China's National Sword policy'). As a response, councils were charged a lot more for recycling and on gate landfill rates. Upgrading waste processes and services incur costs which are passed on to ratepayers.

Cost drivers may include the introduction of additional collections – for example, the introduction of Food Organic and Garden Organics (FOGO) collection and processing within a council area.

Additional costs or variations on some contracts have been due to the China's National Sword Policy and the impact this had on the markets for recyclables.



2. To what extent does the variation in services and charges reflect differing service levels, and community expectations and preferences across different councils?

CRJO members state that differences in service offerings, service levels, community expectations and community preferences are the major drivers for variances in the domestic waste management costs.

Councils provide a variety of waste services, some have in-house collection, some contract this out, some manage their own landfills, some only have transfer stations. These arrangements result in a difference in associated waste management costs. Some of our regional councils include relatively large areas with a limited population, transport costs will be higher compared to denser populated councils.

Ultimately, the services offered by Councils are subject to review via the mechanisms within the *Local Government Act*. It is the opinion of CRJO members that the offered services reflect the desires and expectation of the ratepayers of that community.

3. Is there effective competition in the market for outsourced DWM services? Are there barriers to effective procurement?

Waste collection services in rural/regional councils are generally outsourced to contractors. There are limited providers to fulfil Domestic Waste contracts, this is a specialised field that is highly regulated. Whilst there may be sufficient competition in urban areas, regionally the number of providers that are able to fulfil the full range of services decline, as other factors such as logistics of disposal of waste and recyclables becomes an issue. In areas where one company owns a regional MRF (Material Recycling Facility), that same company is in a better position to provide cheaper logistics than others, thus limiting competitiveness and further disadvantaging newcomers into these markets.

4. Are overhead expenses for DWM services appropriately ring-fenced from general residential rates overhead expenses?

Yes, there are still options to improve clarity around what DWM charges can be used for. Following the webinar hosted by IPART, there is high variability with how fees are used and charged.

Itemised rates notices mean that waste and normal services can be determined.

The process of setting the yearly rates for the domestic waste collection include costs relating to administration, depreciation, education, and actual collection costs. The actual percentages of total overheads attributed to the waste area are then apportioned appropriately to reflect the different functions within the area, and as such ringfencing these costs. Other rated overheads and depreciation is allocated to the different sections as applicable.

5. If IPART was to regulate or provide greater oversight of DWM charges, what approach is the most appropriate? Why?

Better definition of domestic waste charges and how levied funds are to be used. IPART's recommendation of Developing a set of pricing principles for setting DWM charges, as guidance for councils, would be supported.

IPART could observe the council charges and investigate if they see a potential issue. There are many variables in each council, it is not a one size fits all approach.

A consistent advisory approach would be necessary, which allowed for calculable variances between councils as there is no one size fits all approach that would fairly reflect reality and the different circumstances that Councils face. An effective minimum standard or baseline would need to be set so there would be a base to work from. Each Council would need to justify costs across the contract above the average/benchmark charges, detailing actual collection, factoring in circumstances such as whether FOGO collections, processing facilities, bulky waste collection, education costs, administration costs, transportation distances, etc are included.

6. Are there any other approaches that IPART should consider?

CRJO would prefer to see a general guideline, as described under the previous question. The guideline could outline a standard range of charges for the DWM provided which is flexible enough to cater for the variability in Council areas and services provided.

Mandating that the EPA waste levy be used for waste services by subsidising the cost to councils and help with setting up transfer stations. However, noting that this is not a review of the Waste Levy.

7. If a reporting and benchmarking approach was adopted, how could differences in services and service levels, as well as drivers of different levels of efficient cost, be accounted for?

It is unlikely that standardised benchmarking would be the best proposed option to deliver an efficient, cost effective service. A set of 'guidelines' – based on a minimum standard (neutral council requirements) may be an option to assist in setting fair and reasonable charges for the services provided for councils. Council's would require a baseline to work from. Variances in service could be identified and a reasonable cost for service established. A standardised benchmark that is to be reported on may inhibit the ability to gain any rate revenue above the proposed percentage of benchmarking, calculating growth in rates revenue outside the rate peg should be justified by council to then identify reasonable cost.

8. Is there merit in IPART's proposed approach to developing a reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges? Is it likely to be an effective approach? Why/why not?

Benchmarking is a widely used and accepted form of cost/pricing comparison between Councils and would provide more transparency and accountability around DWM charges, however no two Councils are the same. A rural Council, for instance, could be in the western district of NSW, or on the NSW south coast – each with varying demographics (population, access to services, transport networks, waste infrastructure, corporate structure).

9. Would IPART's proposed approach be preferable to audits of local councils' DWM charges by OLG?

Council's support changes that would decrease time spent on internal auditing.

Local councils would be conducting internal audits on different sections of council, and therefore regulatory requirement on justification of charges would be recognised. Audits will ensure there is consistency in approach within an individual council and in line with regulations. However, a benchmarking approach may be more understandable for general users to comprehend.

10. Are there any issues that should be considered with regards to developing an online centralised database for all NSW councils' DWM charges to allow councils and ratepayers to benchmark council performance against their peers?

Yes. There are concerns that the public will see a dollar figure which does not identify other factors that impact the costs for each council.

11. Comparing DWM charges of similar councils is a good way to establish pricing for similar LGA's. This information is currently available from each Councils website. Whilst this is the case, determining which Councils to compare is not a straightforward exercise because of the variability between services and the variability of the council areas. Do you agree with IPART's proposed pricing principles? Why/why not?

Yes, apart from funding social programs. Waste avoidance, reduction and reuse are strategies that affect all waste generators and should be (at least) partly funded by domestic waste charges, noting that IPART encourage a 'user pays' approach to waste management. A user pay approach where customers pay for the full services, they receive so the services can continue. Domestic waste charges should be transparent and direct costs of operating costs and depreciation on capital costs should be included in the DWM charges. Transparency of the DWM charges for our customers is essential. This information is provided to our public through our fees and charges information on the rates notice.

12. Are there any other pricing principles or issues that should be considered?

- An open book audit of Councils that remains confidential and managed.
- CRJO recommends providing information and support councils to inform a reasonable cost for the waste service
- Use the waste levy for waste services.

13. Could a centralised database and display of key elements of all successful DWM service contracts (e.g., name of tenderer, service provided and contract amount) assist councils in procuring efficient services? If not, why not?

Yes, this information would be beneficial for each Council to consider potential candidates, services provided within the contract and would be a good comparison tool.

## Summary

The member councils within the Canberra Region vary in size, population, needs and circumstance. The waste management services provided vary significantly within our region.

It is generally agreed that communicating the breakdown of the DWM costs with constituents on their rates notice is a transparent way to inform residents of the services being used.

IPART's recommendation of Developing a set of pricing principles for setting DWM charges, as guidance for councils, would be supported. The DWM charges of each council in the CRJO region varies because of the variety of facilities they have, services they offer and in one case the Waste levy they must pay.