

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
1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?	
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?	
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?	
4. Do you have any other comments on councils' domestic waste management charges?	
5. Which Council do your comments relate to?	
Your submission for this review:	
If you have attachments you would like to include with your submission, please attach them below.	IPART Review of domestic waste management service charges 2020 Submission.pdf
Your Details	
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	Michael

Last Name	Alexander
Organisation Name	Cessnock City Council
Position	Manager - Environment and Waste
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy



19 October 2020

Dr Paul Paterson
Chair
NSW Independent Pricing and
Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Contact:
Our Ref:
Your Ref:

RE: IPART Review of Domestic Waste Management Charges – Cessnock City Council Submission

I refer to the Discussion Paper released (August 2020) by the NSW Independent Pricing and Regulatory Tribunal (IPART) concerning Domestic Waste Management (DWM) Charges levied by local government in NSW. Cessnock City Councils Environment and Waste Unit provides the following submission on this Discussion Paper.

General feedback on the Discussion Paper:

There have been significant changes and requirements relating to waste management over the last decade including increased resource recovery and landfill diversion targets on domestic waste and the introduction of the Return and Earn program by the NSW Government and nationally the bans on recycling exports. These changes and requirements are likely to continue (such as the COAG recycling export ban and the NSW 20-year Waste Strategy expected in early 2021), making it inappropriate to set a percentage limit rise to DWM charges.

Cessnock City Council covers an area of nearly 2,000km² and provides a kerbside collection service (comprising weekly waste and fortnightly recycling and garden organics collection) to approximately 23,000 households. By comparison, neighbouring Maitland Council covers only 500km² and provides the same collection services to 35,000 households. This simple example shows that to compare DWM charges more than just similar services is required.

In 2019-20 Cessnock Council paid the NSW Government over \$5million in Waste Levy (as this is applied per tonne of landfilled material) but received back only \$90,000 from the Better Waste and Recycling Fund (as this is calculated on population thus disadvantaging less populated areas spread over greater areas). If all Councils received a greater percentage of the levy back to invest locally it would help reach the NSW government targets as well as enabling a more cost effective and efficient system for our residents.

The Discussion Paper makes several references to Councils having surpluses in Waste accounts. The use of the term "surplus" is incorrect and should be referred to a "reserves". Council having a reserve for known future large costs – such as capital investment or landfill rehabilitation – allows price stability for our community over time rather than trying

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to apply these in the year they are planned to occur. Also, the paper mentions “social programs” that could be interpreted as being education on the correct use of waste services and not pensioner discounts that was clarified by IPART in your webinar.

The option of providing vouchers (rather than bulk kerbside collection) is not clearly identified as a ‘domestic’ waste service according to the guidelines, however this is a much more cost-effective option for residents to manage their bulk waste when it suits them rather than collecting from kerbsides which incurs the cost of transport as well as disposal in the DWM charge.

Responses to specific questions in the Discussion Paper:

- 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?*

Particular cost-drivers include kerbside recycling costs that have nearly doubled since China stopped imports while being undercut by the State Governments container deposit scheme introduced in December 2017 (with the majority of glass and plastic drink containers no longer being in recycling bins making any Refund Sharing Agreements (RSF) with Material Recovery Facilities (MRF) redundant as 50% of nothing is nothing). By way of example Cessnock’s 2019-20 cost of recycling collected from the kerbside is almost \$400 per tonne twice that of the garden organics collection at just under \$200/tonne.

The data used in the Discussion Paper is several years old (as the EPA is usually 18 months behind making reports available). Cessnock DWM Charge increased 1.8% in 2020-21 from 2019-20 which is below the rate peg allowed for Rates. However, the NSW Waste Levy applied to council has increased at a rate greater than both the rate peg and inflation at 14.2% from 2014-15 to 2017-18 and 18.8% to 2018

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

Variations in services and charges are as different as the communities they serve including population size and density, existing infrastructure, and community expectation and preferences. Changes to waste services are driven by EPA requirements for improved resource recovery and increased environmental protections (i.e. at landfills).

Changes/additions to domestic waste services are financially assessed compared to the cost of landfilling (which includes the NSW Waste Levy) and is based on a per tonne cost thus heavy material gets prioritised over lighter material. If the estimated cost is less than landfilling it is viewed as efficient and affordable for the community. However, once these services are introduced it is extremely difficult to remove them as service contracts have been entered into (usually for 10 years or more) and residents view this as a reduction in service levels regardless of the cost savings that might be achieved.

The community is consulted about the level of domestic waste management service they wish to receive and can comment on the DWM charge annually when all Council fees and charges are exhibited before adoption. Cessnock community’s satisfaction with their waste service is also measured biannually with results consistently rating over 3.6/5 on the statement “Waste collection and disposal are well managed”.

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

Our most recent experience in 'testing the market' for contractors occurred 5 years ago. At that time there were sufficient responses to provide confidence that the successful contractor was pricing reasonably with consideration to competitors. In our case we have a mixture of external (recycling and garden organics) and internal (waste) collection services with the contracted services being cheaper than the internal service. However, Council is politically committed to maintaining local employment opportunities in-house. Outsourcing of services has led to an increasing casualisation of the workforce for many that receive substantially lower wages and conditions of employment (e.g. long working hours, unpaid sick and annual leave).

When it comes to contract procurement, our council utilises assistance from our internal procurement staff, Hunter Joint Organisation and neighbouring councils so that expertise can be shared. While it may be 10-15 years between having to undertake these procurement processes, we do not feel that staff are less skilled and there are many resources to draw on when required.

When Councils do combine to tender for services there is the additional hurdle of needing to seek ACCC approval from anti-competition rules. While to our knowledge this has not been refused it is an additional cost to the tendering process that is ultimately passed on to the community.

Having a section in the Local Government Act that bans confidentiality clauses relating to price could help improve transparency and cost efficiency. However, when reviewing this more information than just the cost per service would be needed due to differences in distance travelled, road conditions and even weather in given areas of the state.

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

Yes, overhead expenses only relating to DWM services are included by Cessnock Council. It would be an improvement to benchmarking process if there was more clarification on what overheads could be included to provide some consistency between Councils.

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

Developing a set of pricing principles for setting DWM charges is viewed as the most appropriate approach offered. The current guidelines used by Council's are open to a variety of interpretations and further clarification would be useful. For example, the option of providing vouchers (rather than bulk kerbside collection) is not clearly identified as a 'domestic' waste service according to the guidelines, however this is a much more cost-effective option for residents as the transport cost is avoided and is better suited to semi-rural and rural areas.

Any comparison enabling reporting would need to be with same service components, levy rate, and area covered not just population and region. Cessnock has only identified 2 comparison Councils (for population, area covered and semi-rural setting) that we are able to benchmark against however services provided between these councils does not match and so still leaves room for differences in pricing. Contractor rates also vary with differences of location of processing facilities and even the type of processing conducted. For example, with organics collection and reprocessing, those that accept garden organics only have cheaper processing costs as simpler, less mechanical systems can be used

whereas including food organics means that increased controls in processing are required which in turn increase costs.

The proposal for further investigation and regulation of outlier councils (assumed to be those with the highest DWM charge as no definition was given) could be a further impost on an already struggling council. Making judgement on what constitutes an 'outlier' would need to be more detailed to allow full consideration to be undertaken.

The least acceptable option is IPART regulating price increases through setting maximum percentage variations for some or all DWM charges. There are too many external pressures and individual differences with many being out of our control (e.g. EPA levy, new services like FOGO). Any cap restriction may mean waste services start running in deficit and the reserves to provide capital purchases or landfill rehabilitation are jeopardised.

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

No.

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?

This would be very difficult and costly process to develop that may negate any savings achieved by doing the task. The Discussion Paper comment that "a large number of these councils, particularly in Sydney, Wollongong and Newcastle are likely to face similar costs for common DWM services" is incorrect and over simplifies the number of variables that are considered when costing transport such as the average distance between each household. This is lower in more densely populated areas (such as Newcastle) than in Cessnock (who share a boundary with Newcastle) on this one point alone.

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?

We would prefer a less intrusive model; however, benchmarking is not appropriate unless it is comprehensive including looking at population size and demographics, land area and geography, services provided, waste levy rate and resource recovery rates. This would create an extremely complicated benchmarking system.

Council already completes numerous reports (both monthly and annually to various government bodies) with extensive granularity on the waste services provided (eg. Monthly s88 reporting to NSW EPA and annual WARR return). This includes the annual DWMC, numbers and types of properties receiving services, contracts entered into for services, and all additional resource recovery services. Additional regulatory reporting is undesirable and not required.

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

It is appropriate for IPART to maintain regulatory authority. However, DWM charge audits in addition to existing regulatory requirements is unlikely to achieve the desired outcomes.

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?

The NSW EPA already make this information publicly available as part of the annual summary of WARR reports (see <https://www.epa.nsw.gov.au/your-environment/recycling-and-reuse/warr-strategy/policy-makers/surveys>) which anyone can freely access. While the naming of the reports as surveys may not register with the community as containing this sort of data the annual reports do list the DMC charge and services provided for every NSW Council. Cessnock already uses this information for benchmarking purposes (while being cautious in considering circumstance differences). Making another system would seem to be an unnecessary duplication. Cessnock has also provided the community with a breakdown of what the various components of the DWM charge in its waste strategy (see <https://www.cessnock.nsw.gov.au/Council/Forms-documents/Plans-strategies/Waste-Management-Strategy?BestBetMatch=waste%20strategy|b74f3ed8-04cf-4e5b-b70e-29f098fb7021|eba92a11-ce0d-435e-904b-4bc697ddd2f2|en-AU>) adding lines to the rates notice seems an unnecessary complication that might cause the community to question what other single line items include and then want to opt-in or out of various components they deem unnecessary. e.g. Library services.

11. Do you agree with IPART's proposed pricing principles? Why/why not? (section 3)

Cessnock Council already applies the pricing principles IPART is proposing to recover the costs of providing DWM services. Clarification of inclusions such as waste vouchers (in lieu of kerbside bulking collections) and incremental costing would be appreciated.

The term 'user pays' suggests only paying for services that are used. As with roads and other essential services, waste services are provided regardless of whether they are fully utilised or not by the resident. This term could confuse ratepayers who may be expected to be refunded if they do not use their standard service. Without weight-based charging it is not possible to take a 'user pays' approach to the standard service. However, there are 'user pays' elements outside of the standard service such as for additional bins, clean-ups and increased bin capacity and this pricing often reflects NSW waste avoidance and resource recovery policies.

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

Additional issues that should be considered are:

- Weighting towards higher order environmental outcomes. (ie paying more than landfilling for resource recovery)
- Reviewing consistency between pricing and community expectations.
- Consideration of intergenerational costs as reasonable costs.
- Ecologically Sustainable Development.
- The 20-year waste strategy and the shifting resource recovery markets.

There is concern that 'cost efficiency' and 'lowest price' are or will be confused or blended, leading to a race to the bottom in pricing. The result of this would be an even greater concentration of market dominance by only a few companies who, in future contract tenders, will be able to freely increase their fees due to the lack of competition.

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?

Councils already make public the total cost of contracts entered into as required by legislation including the name of tenderer, service provided and total contract amount. Any

more detail than this might be viewed as commercial in confidence by Contractors. Making another system would seem to be an unnecessary duplication.

It should also be noted that the total cost of these contracts is calculated in today's dollars. It is common for these long-term contracts include Rise and Fall clauses to allow for CPI, fuel and labour award changes (either quarterly or annually). It is clauses such as this that have seen recycling costs increase significantly in recent years.

If you require any further information, please do not hesitate to contact me on telephone [REDACTED]
[REDACTED]

Yours faithfully

[REDACTED]

Michael Alexander
Manager - Environment and Waste