

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 Domestic Waste Management_INAL City of Sydney 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.	Anonymous - my submission can be published but my name should remain anonymous
First Name	

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IPART's Submission Policy	I have read & accept IPART's Submission Policy

IPART Domestic Waste Management Charges Discussion Paper



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Executive Summary

The City of Sydney welcomes the opportunity to comment on IPART's Domestic Waste Management Charges Discussion Paper and to participate in the conversation about how IPART can best support local government's implementation of Domestic Waste Management (DWM) charges.

DWM charges are usually calculated based on the estimated cost of providing the service plus any amounts to grow a waste reserve for future expenses that are either known or anticipated. NSW Councils are keenly awaiting the 20-Year Waste Strategy to be adopted by the NSW Government to inform the future direction.

The City would not support the capping of the DWM charges through a percentage variation under section 507 of the *Local Government Act 1993* (the Act). The City is primarily concerned that the potential regulation would fail to address the differing service levels, service requirements and community expectations of each local government area and the flow on effect that these have on DWM charges.

The City largely supports IPART's proposed key pricing principles outlined in the discussion paper, that mostly reflect good business practices and drive cost efficiencies, but many concerns remain about a one size fits all approach. Additionally, the City disagrees with the proposal of removing the cost of social policy from the charge.

Increased transparency regarding the DWM charges and factors influencing the charge is also supported with a caveat that the proposed approach ensures that the data can be easily understood and is inexpensive to administer and maintain. The City suggests leveraging from publications already collated and provided such as the Office of Local Government's Comparative Data.

This submission will re-iterate several key factors that should be taken into account when considering regulation as a solution to the wide variation in domestic waste management charges. This includes the services provided by each Council, how each Council provides each individual service, geographical and social factors of the LGA that affect service provision, environmental objectives and calculation of direct and in-direct costs.

Mirroring the questions highlighted in the Discussion Paper, this submission addresses each of the 13 questions outlined.

Discussion Paper

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?

It is not a concern that DWM charges may rise faster than the rate peg as the cost drivers are very different. The Domestic Waste Management Charge is a charge that recovers the expense of providing the service. The costs can include collection and processing costs of different waste streams as well as waste education services. Council rates are a property tax based on the value of the land with the rate peg being calculated on the Local Government Cost Index. There is no correlation between how the two charges are calculated and comparing any increases is of little value.

DWM charges are usually calculated based on the estimated cost of providing the service plus any amounts to grow a waste reserve for future expenses that are either known or anticipated. NSW Councils are keenly awaiting the 20-Year Waste Strategy to be adopted by the NSW Government to inform the future direction. The changing climate in waste and recycling that have seen increasing costs within the industry will potentially be addressed by a long-term approach for NSW councils to play a greater role in waste processes which would require large capital investments. This has resulted in many councils responsibly acquiring funds for their waste reserves to spread the costs across many years and avoid expenditure shock or income deficit.

Some of the recent factors that have impacted DWM charges include China Sword Policy, NSW container deposit scheme (CDS), changes in waste and recycling processing services and available technologies, NSW Government regulations and increased waste monitoring and reporting requirements, contract contamination penalties, and delays in state-wide investment in waste infrastructure and more recently, COVID-19.

Additionally, each community will have different needs and wants in relation to its domestic waste service. Local governments need to assess these needs and balance them with the desires of its ratepayers to adopt waste principles and reflective annual charges.

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

Each local government area will have different service level requirements and community expectations. The City of Sydney has a number of requirements that are not typical for most local government areas. While the City's DWM charge is reflective of the services it provides, other councils will not have all the same issues, priorities, strategies, goals or requirements.

Several unique features of the City's DWM service impact the collection and processing costs. These also vary by type of collection.

Waste Collection

- The City, due to constraints of existing buildings (space or access), offers a once, twice and three times per week service to many of its properties. Buildings with small areas for bin storage need more frequent bin collections, increasing costs when compared to a once a week service. In the older, even more densely populated areas, the City offers a seven day per week service.
- The City, due to its age and unique road structure (many narrow streets with high density living and saturated on street parking) requires all services to be completed with rear end lift vehicles. These are, by industry standards, the lowest productive waste collection vehicle and also run the highest labour costs. A robotic arm collection vehicle in an ordinary residential local government area would have one operator and can empty up to 200 bins per hours. In the City, the rear end lift vehicle uses three operators and collects approximately only 50 bins per hour.
- The City's residents have an expectation that waste is collected as early as possible to ensure trucks do not contribute to traffic congestion and bins can be removed from the street.
- For higher density housing, the City's building regulations require facilitation of either 'walk-on' or 'drive-on' collection services into bin rooms or loading docks. This is more expensive than kerbside presentation and collection. Keeping bins off the kerbside mitigates potential OHS issues for waste collection staff and also reduces the risk to the public in heavily traffic areas.
- Due to the age of buildings, smaller trucks need to be utilised for a 'drive-on' collection service. This causes a loss in productivity as smaller trucks need to have more frequent trips to the waste transfer station, creating non-productive down time.
- All transfer stations and disposal facilities are outside the geographical area of the City, contributing further to non-productive down time and the cost of the service.

Household Bulky Waste Collection

- The City offers a once per week household bulky waste collection. This is a higher service compared to most other local government areas that may offer only 2-4 per year. This service level is required due to a number of reasons: firstly, the City having the highest transient population of any local government area in Australia and hence a greater generation rate of bulky waste; secondly, the reduced footpath/public domain area and the community's desire to have clean streets; and thirdly, the high levels of public activity and pedestrian traffic, requiring waste to be removed quickly to reduce WHS risks. The City's residents currently request approximately 1000 hard waste collections per week across the three hard waste collection types of household bulky waste, electronic/metals and mattresses. In addition, the City has a further 300 illegal dumps collected every week.

Recycling Events

- The City offers a minimum of six recycling event days per year. These days cater to residents of the City as well as neighbouring local government areas, allowing them to safely drop-off items including e-waste, textiles, cardboard, polystyrene, paints and chemicals. There are between 800 to 1200 attendees per event and this service has a significant impact on the City's waste business model and costings.

Disposal

- Due to the high level of people living in apartments, a more transient population and lack of green waste, the ability to achieve high kerbside recycling rates is reduced. In trying to achieve the NSW Government suggested target of 70% diversion from landfill and our community's desire for Zero Waste by 2030, the need for general (red bin) waste processing options is critical. The lack of cost-effective processing options in Sydney means that these options are considerably more expensive than landfill and contribute significantly to the DWM charge.

Waste Education

- The City has also placed substantial resources into waste education programs to achieve its zero waste objectives. These waste programs aim to achieve behavioural changes in resident's decision making in relation to waste management. Due to the transient nature of the residential populations in the City, a higher level of waste educational services is required to achieve reasonable kerbside recycling rates when compared to more suburban councils.

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

The market for domestic waste collection has ample competition. The City has recently tendered for the collection of domestic waste and received six EOI submissions for consideration, of which three were invited to provide tender documentation.

There is limited competition for the recycling of waste (yellow bin) and processing/disposing of putrescible waste (red bin waste) due to the high cost of establishing processing infrastructure and the limited volumes of these waste streams contracted to suppliers.

Of note is that one of the major waste processors, Veolia has offered to acquire an approx. 30% stake of Suez, one of its main competitors; what impact this will have in the Australian marketplace is unknown.

Are there barriers to effective procurement?

Recent EPA decisions have also had major cost implications to the waste suppliers, which are on-forwarded to be shared with the relevant Councils.

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

Every council will have different overhead structures, vehicles and infrastructure requirements, so it is difficult to comment on other Council's determination of overhead expenses. The City uses an activity-based costing system to calculate overheads attributed to the management of domestic waste. Therefore, the City appropriately separates these costs from other general overhead expenses.

We recommend that the Department of Local Government Council Rating and Revenue Raising Manual (provided by the Office of Local Government) be revised to clarify what DWM charges can be used to fund and particularly clarify what overhead expenses can be used for.

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

The City doesn't think it's appropriate for IPART to regulate DWM charges by imposing an annual cap on increases as there are too many differences between councils to make it effective.

The proposal of setting guiding principles would be appropriate. The City has commented on the proposed principles at Question 11.

The Office of Local Government (OLG) informed IPART that it stopped auditing the reasonable cost basis of DWM charges in 2016/17. The Rates Statement of Compliance, including the annual DWM charges, was previously provided to the OLG. Although OLG decided it no longer required the information, the auditing of the DWM charges by Council's independent auditor did not cease.

The City has annual audits of its reasonable cost allocation for the services provided by the Auditor-General as part of its financial statements audit.

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

OLG currently compiles and publishes a Comparative Data report. IPART should consider if this vehicle could also accommodate appropriate comparative data on DWM charges.

In making any recommendation, IPART should also consider that the Community Strategic Plan, which outlines the waste services and charges, is placed on public exhibition for comment and is then endorsed by Council. Similarly, the annual Fees and Charges are also on display before adoption each year. The period of public exhibition provides the community opportunity to communicate expectations, provide criticism, approval or other feedback, and for the Councillors to consider before making a determination.

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?

If a reporting and benchmarking approach was adopted, it is recommended that councils be grouped into 'like' categories, similar to that already used for the OLG Comparative Data.

For the information provided for a reporting and benchmarking approach to be effective, each Council would need to provide a significant amount of background information to allow data to be transparent and comparable. This background information would need to include;

- The services provided by each Council
- How each Council provides each individual service, (Outsourced / In-house)
- Geographical and social factors of the LGA that affect service provision
- Environmental Objectives of Council
- Calculation of direct and in-direct costs

The costs of providing this data could outweigh the overall benefit achieved from the benchmarking process.

It should also be noted that for contracted services, pricing is usually confidential and unable to be disclosed so it would be difficult to compare prices and services offered.

As per Procurement requirements, the cost and scope of a contract must be disclosed publicly to Council. However, this limited information may not be useful for benchmarking purposes.

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?

See responses for questions 7 and 11.

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

Yes, the proposed approach of providing guidelines as well as additional reporting and benchmarking facility would be preferable to an additional audit.

The NSW Auditor General currently audits council rates and charges when auditing the financial statements. An additional audit would add to costs being incurred by councils and the City does not believe there would be sufficient benefit to warrant the additional cost.

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?

As highlighted, there are many factors that affect the DWM charges across councils, therefore making it difficult to generate appropriate benchmarks that are reasonably comparative. Hence an online centralised database for all NSW councils' DWM charges may result in information being misinterpreted. Unless the person using the database has an in-depth knowledge of the comparison council's service provision then there may be inconsistencies in their analysis. Poorly generated benchmarks may lead to inefficient and/or less than effective decision making by councils in relation to the provision of waste services.

The cost of creating and administering a new database may should also be considered. As previously mentioned, perhaps a better approach would be to leverage the existing Comparative Data published by OLG.

11. Do you agree with IPART's proposed pricing principles? Why or why not?

IPART's proposed key pricing principles are largely principles already used by the City. They mostly reflect good business practices which drive cost efficiencies. This includes tendering regularly to ensure that prices and costs are tested.

However, the City disagrees with the notion of excluding the cost of social policy in relation to the cost of providing pensioner rebates.

Firstly, pensioner rebates on DWM charges include a mandatory rebate and an optional voluntary component. There is no policy decision on mandatory rebates.

Secondly, policy decisions on providing additional voluntary rebates on DWM charges are part of the annual Operational Plan and Revenue Policy that undergoes a public exhibition and feedback process before adoption.

Thirdly, IPART has commented during the discussion paper webinars that it does not suggest that Councils should be financially disadvantaged by any of its recommendations as part of this review and that if this principle was adopted IPART would also recommend Councils seek a Special Rate Variation (SRV) to increase rates in the amount equalling the cost providing rebates on the DWM charge. This proposal would add a costly administrative burden for little benefit to the community as the cost will still ultimately be borne by the ratepayers.

Furthermore, this proposal would not accommodate changes in the pensioner demographics within a local government area over time nor would it accommodate the changing cost of providing the

rebate on DWM charges as the costs of the service fluctuate. It has already been argued that changes in DWM costs do not align with the rate peg due to the different cost drivers. Therefore, it is similarly argued that nor would the cost of a pensioner rebate on the DWM charge. Councils that see a reduction of pensioner rebate costs may not make a similar drop in its rates. Conversely, any increase in the cost of providing the rebate above the rate peg would require yet another SRV application in order to recover the additional costs.

Lastly, price is not the only factor that should be considered. The pricing principles are heavily focused on price and affordability rather than value for the services provided and the service levels required or expected by the community. City of Sydney residents want a specific service. As mentioned previously, the differing services offered across councils will greatly impact the overall DWM charges. As a sustainable City, the City of Sydney invests greatly in waste education programs and as a result has higher costs in this area compared to other councils. Tonnages from recycling days shows how much waste is being diverted from landfill and the positive effect that these programs are providing. Our recent "Recycle It Saturday" event reinforced that there is a demand for these extra services. Therefore, we submit that environmental sustainability should be another guiding principle.

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

As mentioned above, some other issues that should be considered are needing to achieve the targets as outlined in the existing NSW Waste Strategy and yet to be released 20-Year Waste Strategy for NSW. In addition, consultation with the community in the City of Sydney, has resulted in the endorsement of a zero waste by 2030 target (90% diversion from landfill). This approach also aligns with the NSW Government Circular Economy Policy.

As the City and other councils take actions toward such targets, the lack of waste collection, transfer station infrastructure and processing market options could have an inordinate effect on the potential cost of waste services. This could lead to either increase costs or failure to achieve NSW Government stated targets.

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

The DWM charges are already publicly available in each local government's Operational Plan and the contract amounts are also publicly reported. A centralised database and display of key elements of all successful DWM services contractors would be easier for users with all information already collated, would be more transparent and might assist other councils to obtain value for money when in procuring services. However, contract details can only be revealed at a very high level as the details of commercial contracts are confidential. The City is unsure whether the high-level information would be of significant benefit.

If such a database is created, it would also be beneficial to report contributing cost factors such as population density of the LGA, number and proportion of strata buildings being serviced, traffic and time constraints, and types and volumes of bin lifts used. These are hard to compare from the services provided and contract amount alone. Without a huge range of specific factors then the centralised database of information may be difficult to understand and compare.

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Overall the City would be willing to provide relevant data for an “research” type project as an initial stage to see if the issues of data normalisation, level of effort required vs the value to Councils, or other relevant audiences.

Again, OLG already produces comparative data that includes the average domestic waste charges so adding to this might be the easiest solution. The OLG publication could be leveraged rather than recreating another source of information.

