

SUBMISSION COVER SHEET

THIS FORM WILL
NOT BE PUBLISHED

If you are sending us your submission by **email, post or fax**, please complete this form and **attach it to the front of your submission**.

This form is not required if you are sending us your submission via our online portal.

Name of the review to which your submission relates:

Date

Contact details

Name of your organisation (if applicable):

Name of author:

If this submission is made on behalf of an organisation, this should be a person authorised to make the submission

Position or title of author (if applicable):

Email address (if applicable):

Fax number (if applicable):

Postal address

Street:

Suburb:

State:

Postcode:

I have read and accept IPART's Submission Policy ☐ Yes

IPART publishes the submissions we receive on our website as part of our commitment to transparency. We will never publish your email address, postal address or telephone number on our website.

If you would like the submission or author's name to remain confidential, please indicate below:

- | | |
|-----------------------------------|--|
| Publish | My submission and name can be published on the IPART website |
| Confidential | All or part of my submission should be treated as confidential and not published by IPART. I have indicated which parts of my submission are confidential. |
| Anonymous | My submission can be published , but please do not publish my name . |
| Confidential and anonymous | Please do not publish my name or the contents of my submission. |

After completing this form please **SAVE**, and **PRINT**, and **include with your submission**



**Independent Pricing
and Regulatory Tribunal**

PO Box K35
Haymarket Post Shop, NSW, 1240s



Fax: (02) 9290 2061
Please include this form
as the first page of your
fax transmission



Phone: **(02) 9290 8400**

Email: **ipart@ipart.nsw.gov.au**



IPART – LOCAL COUNCIL DOMESTIC WASTE MANAGEMENT CHARGES

Submission by Clarence Valley Council

1. Domestic Waste Management (DWM) charges rising faster than rate pegging is no concern at this time. With the State Government encouraging/requiring the provision of additional services to recover more resources from the waste stream as well as higher environmental standard for landfill management and waste processing it is quite logical that there will be increases in DWM charges above rate pegging as these services are implemented. Also contributing to the increased costs is the global market situation for dry recycling which is partly due to Government policy - export bans. The NSW Waste Levy makes up a significant component of DWM charges and this is adjusted annually by CPI and most waste management contracts also include a CPI price index. CPI movements have for the most been higher than rate pegging.
2. The variation in service levels has a major impact on charges. It was not that long ago that the only DWM service provided by Councils was a weekly residual bin collection service. Over a number of years service levels increased to include kerbside recycling and more recently there has been the move towards kerbside organics and FOGO services to meet landfill diversion targets. If Councils with community support are increasing service levels it will be reflected in DWM charges.
3. Yes there does appear to be a reduction in competition in the DWM market. There has been in some regions a trend to go to market with regional contracts to create economies of scale. With more services, longer contract periods and much higher contract values it appears that the market is now too difficult for new and smaller contractors to enter the domestic waste market. This is more evident in the dry recycling market.
4. I believe that overhead expenses at our Council are appropriately ring-fenced from other general fund works on an activities based costing method.
5. IPART should not regulate DWM charges. If IPART was to try and regulate DWM charges, the regulation should be minimal and must provide flexibility to ensure Councils are not

burdened by costly red tape, recognises local variability's and is not prevented from adopting innovative new or improved services and infrastructure.

Regulation inevitably results in less innovation, less competition and increased costs. Regulating price increases by establishing max percentage increase would make it unreasonably difficult to adjust to market changes and to introduce new services etc.

6. IPART could facilitate the development of a detailed a guideline that establishes what constitutes a reasonable cost when determining DWM charges.
7. It would be extremely difficult to introduce a benchmarking system that addresses the wide range of variability's both within the LGA and between Councils and still provide meaningful and relevant information for consumers. In every LGA there will be a wide range of social, economic and environmental issues that will impact on DWM costs and it is not just the difference in service levels and population, there are just so many variables to take into account including:
 - a. The date waste contracts were awarded and the length of the contract is a variable that impacts on cost.
 - b. The geographic area being services is a major variable, our Council covers almost 11,000sq km with a population density of 4.94 people per km². There are 3 major towns and 60 villages.
 - c. Service level within Council can vary an urban service and a rural service.
 - d. Conditions of rural roads impacting on collection vehicle life is a cost variable
 - e. The housing density of the service area is a cost variable
 - f. Service standards specified in contracts is a cost variable
 - g. Distance to and cost of landfilling is a significant cost variable
 - h. Distance to & cost processing facilities for dry recyclables and organics is a cost variable
 - i. Distance to markets for dry recyclables is a cost variable, in our LGA it is between 400km and 1000km (depending on the produce) to transport sorted recyclable for further processing.
8. Benchmarking even for perceived similar Councils will be difficult for the reasons touched on in question 7. Pricing principles and detailed guidelines for establishing DWM charges could be more effective.
9. Audits by OLG would be an unnecessary and costly burden for both OLG and Councils; therefore a pricing principle/guideline approach is preferred. Including a DWM reasonable cost review once during the 4 year term of Council could be an approach. However it would be more appropriate for the review to be undertaken by Councils independent financial auditors as occurred in the past.
10. As outlined earlier there is considerable difficulty in developing a meaningful benchmarking database; consumers will just take on board the difference in costs between Councils

without drilling down into the reasons why there is a difference in cost. This can generate simplistic and uninformed community debate.

11. There is general agreement with the pricing principles; however Council does not agree with components of principle 1. – User pays.
 - a. We understand and support the user pays approach however we do not support the proposed incremental cost allocation method. Domestic waste management is considered a core function of Council. Using HR as an example in a Council that contracts out some services, for such a Councils if domestic waste services were no longer provided it is unlikely that Councils overall HR cost would decrease, therefore under the incremental cost allocation method no HR cost could be apportioned to the DWM charge. This is not a true cost reflection as there are HR costs. If DWM procured H.R services external to Council the cost impact on the DWM charge would be much higher. An average or similar cost per DWM employee for HR services is considered a fair and reasonable method of allocating these costs to DWM. The same would apply to most corporate costs; finance, IT, office accommodation, executive services etc.
 - b. Agree that social programs such as reduced costs to charities should not be funded from DWM. Councils do have the option of supporting or not supporting such programs. However with the legislated pensioner subsidies Councils do not have the option of not funding the subsidy. If the pensioner subsidy was funded from general rates it would result in many ratepayers who don't have access to the DWM services e.g. remote rural ratepayers contributing to the costs of householders that receive a domestic waste service. It would be fairer for a legislated DWS subsidy to pensioners to be funded by those that benefit from the service through the DWM charge. It would also appear in conflict with the Local Government Act which prevents income from an ordinary rate to be applied to domestic waste services
12. It is recommended that the following additional pricing principle be included. "DWM charges should reflect local sustainable procurement policies." Many LGA's have sustainable procurement policies that aim to ensure procurement takes into account sustainability principles and provides support for local participation.
13. A centralised database as proposed would have no benefit to Council in procuring efficient domestic waste services. Procurement practices are regulated and well established and the EPA has clearly established what is considered to be best practice domestic waste services. Market forces at the time of tendering will determine what an efficient service locally is. Commercial in confidence restrictions would be difficult to overcome meaning the data base would be of little value to local Councils and would most likely inhibit competitive tendering outcomes.