

# 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?	Please see attached file for a full submission from Fairfield City Council.
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?	Please see attached file for a full submission from Fairfield City Council.
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?	Please see attached file for a full submission from Fairfield City Council.
4. Do you have any other comments on councils' domestic waste management charges?	Please see attached file for a full submission from Fairfield City Council.
5. Which Council do your comments relate to?	Please see attached file for a full submission from Fairfield City Council.
Your submission for this review:	Please see attached file for a full submission from Fairfield City Council.
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">FCC IPART Discussion Paper Submission.pdf</a>
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

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

# **SUBMISSION**

## **Local Council- Domestic Waste Management Charges- Discussion Paper by IPART**

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## **EXECUTIVE SUMMARY**

This is a submission to the Independent Pricing and Regulatory Tribunal (IPART) for its review of domestic waste management charges.

The operating environment and market characteristics within the waste sector for NSW local councils differ greatly and for this reason Fairfield City Council do not feel that a regulated approach to the setting of the domestic waste management service charge is appropriate.

Fairfield City Council does not agree that subsidies to disadvantaged customers should be funded from general revenue. This would require a SRV which is a costly and lengthy exercise creating an administrative burden to Fairfield City Council. IPART suggested that an SRV could be applied across all councils to increase general rates by the equivalent amount of subsidy allocated to the domestic waste service charge. Fairfield City Council would consider this as a more agreeable option.

Fairfield City Council disagree with IPART's suggestion that independent economic regulation will simulate the pressures of competition. Establishing a maximum charge will place pressure on council without adequate consideration being given to the current operating environment. There is an absence of standardisation of waste services across NSW or a State issued long-term strategic approach to waste management. Limited waste infrastructure, legislative changes, oligopolies in the waste market and differing community expectations all affect the setting of the domestic waste management service charges and regulating this charge has the ability to negatively impact on service delivery.

Fairfield City Council does not agree that benchmarking costs of DWM service provision across local councils would enable an assessment of whether costs may be efficient. The differences in services may not be apparent in high level benchmarking and the level of detail required enabling a fair comparison would need to include community driven environmental targets. Neither does Fairfield Council agree that council should compare the cost of contracting out DWM services by testing the market by way of open tender. As detailed in the Tendering Guidelines for NSW Local Government, the "Intention to proceed: Councils must not invite or submit tenders without a firm intention and capacity to proceed with a contract, including having funds available".

Fairfield City Council agree that the domestic waste management charges are rising faster than the rate peg but note that the IPART discussion paper refers only minimally to the Section 88 levy. Fairfield City Council would recommend a review into the fund allocation of the Section 88 levy and suggest that a decrease in this levy would have a direct impact on the current domestic waste management service charge

As IPART is aware, The Department of Planning, Industry and Environment, including the EPA, is leading the development of a 20-Year Waste Strategy for NSW. The Strategy will provide a long-term strategic focus on building resilient services and markets for waste resources and it is suggested that further review and discussion of the domestic waste management service charges, be continued once the Waste Strategy has been released.

## About Fairfield City Council

The Fairfield City is located in Sydney's south-western suburbs, about 32 kilometres from the Sydney Central Business District and is part of the Western Sydney Parkland Region. Fairfield City is bounded by Blacktown City and Cumberland City Council areas in the north, the City of Canterbury Bankstown in the east, Liverpool City in the south and Penrith City in the west (Figure 1).



Figure 1: Location of Fairfield City

Fairfield City incorporates 27 suburbs and has a total land area of approximately 104 square kilometres. The local government area while mainly residential has significant industrial and commercial areas with rural residential areas in the west.

Fairfield City contains some of Sydney's most socio-economically disadvantaged suburbs. The NSW local government lists all NSW areas in terms of their socio-economic rank (1 being the lowest, 130 being the highest in terms of socio-economic advantage). Council has an index of 4, which indicates it is socio-economically disadvantaged<sup>1</sup>.

Fairfield City has a population of 211,965 residents, 53.9% of whom were born overseas. Overall, 85% of residents live in single-unit dwellings (SUDs), with 15% living in multi-unit dwellings (MUDs). However, the proportion of those living in MUDs is expected to increase as population density increases in the future. 42.3% of households were made up of couples with children in 2016, compared to 35.2% in Greater Sydney. Fairfield City Council provide a day labour waste collection service. The service consists of:-one (1) 240ltr fortnightly recycling bin collection, one (1) 240ltr weekly garbage bin collection, two (2) two bulky waste collections, one (1) combined e-waste and chemical cleanout event day and one (1) "spring clean" bulky waste collection event in which garden waste, mattresses, whitegoods / metals and e-waste are collected separately for recovery and diverted from landfill. In addition, Council operates a Recycling Drop Off Centre most Saturdays that collect gas bottles, garden waste, household recycling, motor oil and e-waste.

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<sup>1</sup> Source: Australian Bureau of Statistics, 2018, Socio-Economic Indexes for Australia (SEIFA) 2016.

**The IPART discussion paper poses a number of questions around key issues seeking council feedback on the following:-**

- *Domestic waste management charges appear to be rising faster than the rate peg.*

Fairfield Council agree that the domestic waste management charges are rising faster than the rate peg

- *Are there particular cost drivers that may be contributing to this?*

Increases to the DWM charge is due to Council seeking cost recovery for service delivery. There are multiple factors that contribute to an increase of DWM charge as follow:

- Lack of waste infrastructure in the region resulting in increased transport costs.
- Recent “China Sword” recycling crisis
- Impacts of Mix Waste Organic Output (MWOO) regulation, which prohibits MWOO from being used as a soil amendment resulting in the material being sent to landfill.
- Lack of competitiveness in the waste collection, processing and disposal market as the industry is dominated by a small group of providers
- Section 88 waste levy
- Changes in legislations such as carbon tax and the container deposit scheme
- Recycling of previously valuable commodities (e.g. paper, glass) which provided a rebate to council now cost council for disposal.

Since 2010, the Section 88 levy has increased significantly (nearly 100%) when compared to the DWM charges, CPI and rate peg (Figure 2). The Section 88 levy is set at a high level to encourage the diversion of waste from landfill and is one of the main factors contributing to the cost of processing and disposal of municipal waste.

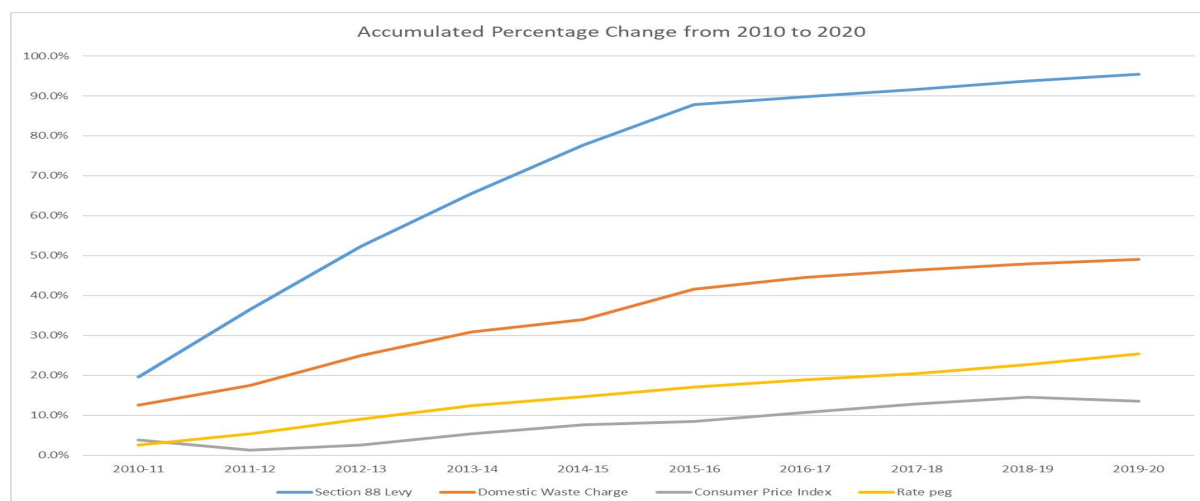


Figure 2: Accumulated percentage change from 2010 to 2020

There is minimal reference to the Section 88 levy in the IPART discussion paper.

Currently, the Section 88 levy on waste disposed of in landfill is \$146.00 per tonne in metropolitan areas. Neither local government nor the industry control the levy and as the State Government does not regulate the expenditure of this levy a large portion is

not reinvested in waste services. For example, Better Waste and Recycling Fund received by councils to improve waste recycling is considered insignificant (8%) when compared to the amount of waste levies paid by Councils, especially for Sydney metropolitan councils. Fairfield City Council suggest that further interrogation into the effective use of the Section 88 levy is required with an increase in the percentage of levy returned to local councils to use for innovation and improvement within domestic waste management. Alternatively, Fairfield City Council recommend a reduction in the Section 88 levy, which would in turn reduce the domestic waste management service charge.

Fairfield City Council was the foundation partner in the State Government's controlled waste processing facility, which promised to divert 80% of Fairfield domestic waste from landfill. The State Government operation failed to meet its promised environmental and waste diversion performance expectations. It was sold to a private waste industry company, which diverted Council's domestic waste from a processing plant to landfill. As a result, the section 88 levy and other costs associated with legislation changes contribute nearly 30% of the processing and disposal cost (Figure 3).

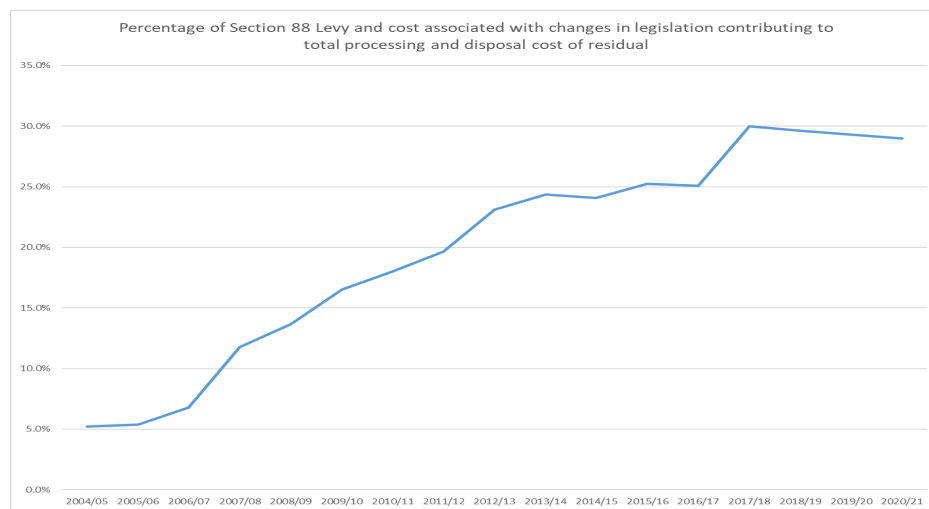


Figure 3: Percentage of Section 88 Waste Levy and cost associated with changes in legislation contributing to total processing and disposal cost of garbage waste.

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

Fairfield City Council suggest that there is strong correlation between the service charges, service levels and community expectation. Fairfield City Council waste services are provided in consultation with the community to meet their expectations in term of service levels while balancing the appetite to pay for more services. Fairfield City Council conducts community engagement and surveys about the waste services every four years as part of its community engagement strategy for developing the Delivery Program. In the most recent independent community survey on council services, Domestic Waste Service Delivery was rated as the highest level of resident satisfaction. Across NSW, local councils have varying service levels, ranging from a two-bin system to a three (or possibly four) bin system, scheduled or book-in kerbside bulky waste collections and differing annual allocation of collections. There is also a



cost impact in relation to the collection of waste from Multi Unit Dwelling's (MUDS) where the design and provision of infrastructure that enable safe and efficient waste collection was not included in the original design specification. Poor design decisions in relation to waste bin rooms or collection spaces severely hamper servicing options / costs and have repercussions on the domestic waste management service charge for the building throughout its lifetime.

In addition, there is pressure from the Department of Planning, Industry and Environment for resource recovery targets, which were set in the NSW Waste Avoidance and Resource Recovery Strategy 2014-2021. Council attempts to balance the DWM charges, taking into account our socio-economic dis-advanced community (ie. low SEIFA index) with the expectation from the State Government to achieve 70% diversion of waste from landfill. The IPART discussion papers fails to include consideration of the cost impost on the domestic waste management charges relating to achieving this target

- *Is there effective competition in the market for outsourced DWM services*

Fairfield City Council do not believe there is effective competition in the market. When the NSW State Government sold WSN Environmental Solutions to SUEZ (formally SITA) in 2011 this privatised a previously government operated entity. This put a number of councils including Fairfield who have a long-term contract for residual waste processing at alternative waste treatment (AWT) in a situation outside of Councils control where the waste was diverted to landfill. In addition, the acquisition makes SUEZ one of the largest waste management networks in NSW and creates fewer providers in the market.

The NSW EPA has produced various strategies including its 'Waste and Resource Recovery Infrastructure Strategy: Draft for Consultation, 2017' which highlights that the Sydney metropolitan area now requires a number of waste processing facilities to meet the State's targets for diverting waste from landfill. Given the onerous development approval process for new waste facilities through the State Department of Planning, Industry and Environment (DPIE) and the limited potential new waste facilities sites available in the Sydney basin, it seems unlikely that the large shortfall in waste processing capacity will be overcome in the near future. This will affect market competitiveness and result in a number of Sydney metropolitan councils not having access to geographically close residual waste processing facilities for at least a decade or more.

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

Fairfield City Council supports the less intrusive regulation approach, which is regular auditing by Office of Local Government (OLG) as part of an annual financial audit. In addition, OLG could consider a rewrite of the Council rating and revenue-raising manual. A revised manual could include a standardised tool to calculate DWM charges factoring in multiple variables such as plant and equipment, depreciation, disposal cost, direct staff cost, overhead and management cost, levies and contractor costs.

## **The IPART discussion paper sought feedback on proposed pricing principals for setting DWM charges**

- *DWM charges should reflect a ‘user pays’ approach and social programs should be funded from general rates revenue*

Fairfield City Council do not agree that subsidies on the domestic waste management service charge should be funded by general rates revenue. Fairfield City Council disagree with this suggestion as there is no legislation that allows Council to make that decision; For Fairfield City Council to fund a subsidy from general revenue a Special Rate Variation (SRV) would be required, which is a costly and lengthy exercise. The DWM subsidies for pensioners and hardship residents are voted by the elected council and these subsidies are important for residents living in a low SEIFA index like Fairfield City.

Currently Fairfield City Council subsidise 12,000 properties. Removing the DWM charge subsidies for pensioners and financial hardship residents will place those residents in great financial disadvantage.

IPART suggest a state wide SRV could be considered however, applying for special rate variation (SRV) to subsidise those financial hardship residents will place an added administrative and cost burden on Council. Application for a SRV is not an assurance that Fairfield Council will be successful with its application, therefore providing no guarantee for pensioners and hardship residents that they would receive a subsidy on their DWM charge. This constant uncertainty for our vulnerable members of the community is unnecessary and bureaucratic.

In addition, IPART proposes incremental (additional) cost allocation for DWM services. This may or may not be in line with Councils operating costs. Fairfield City Council disagree with IPART’s suggestion that IPART “consider that councils’ core business is the functions it funds through general rates”. Fairfield City Council consider the provision of a DWM service as an essential core function of local council.

- *Only reasonable cost categories should be reflected in DWM charges*

Fairfield City Council agree with this statement however Fairfield City Council refute the IPART discussion paper that reports overhead costs account for 65% of DWM service charges.

IPARTS assessment of the overhead charges are reported to include contractors which, in some instances are a direct operational cost (waste brochure distribution, mobile bin repair & replacement, bulky clean up collection) and Council support services staff, such as customer service.

- *DWM charges should reflect efficient costs*

Fairfield City Council agree with this statement. Fairfield City Council has a long history of delivering effective in-house day labour DWM collections. Council is confident that its use of day labour provides a flexible use of resources and better agility in meeting the changing need of its waste service operations. Outsourcing of DWM services is not uncommon; however, Fairfield City Council is one of 48 local councils who still

provide day-labour for waste collection. Collection cost forms only part of the DWM charge, which Fairfield Council can control due to the use of day labour. The DWM service charge also includes, processing, disposal, levies, logistics and availability of waste facilities in the regions. All of these associated costs are outside of Councils control.

Fairfield council do not agree with the comment that council should compare the cost of contracting out DWM services to providing these services itself by testing the market by way of open tender. As detailed in the Tendering Guidelines for NSW Local Government, the "Intention to proceed: Councils must not invite or submit tenders without a firm intention and capacity to proceed with a contract, including having funds available". This guideline appears to be in direct contradiction to the proposal from IPART. Furthermore, the Local Government Act 2009 clearly distinguishes between the roles and responsibilities of the executive (elected councillors) and the administrative (council employees) areas of local government. Councillors, representing the overall public interest of the whole local government area have approved by way of Council resolution the use of a Council operated day labour domestic waste collection service.

Fairfield City Council do not agree with IPART's suggestion that benchmarking costs of DWM service provision across local councils could enable assessment of whether costs may be efficient due to the varying nature of services provided and the local impacts of service provision.

- *DWM charges should be transparent*

Fairfield City Council agree with this statement and have been transparent about their DWM charges as specified in "Council rating and revenue raising manual" published by the Department of Local Government (now known as OLG) in 2007. The DWM service charges are included in the annual Operational Plan, opened for public consultation and approved by the Council prior to the financial year. Fairfield City Council comply with the Tendering Guidelines for NSW local government published by the OLG in 2009 and commercial in confidence agreements are respected.

- *DWM charges should seek to ensure price stability*

Fairfield City Council agrees in principle. Fairfield City Council entered into a 20-year contract for processing of waste with SUEZ- UR-3R (previously WSN). The current contract is in Councils favour; however, Council expects that there will be a significant increase in municipal waste processing and disposal when a new contract is negotiated in 2025. The current waste reserve will be used to offset this increase in processing and disposal of municipal waste, ensuring intergenerational equity before gradually increasing the DWM charges to cost recovery.

Fairfield City Council also utilise their Domestic Waste Reserve to subsidise one fifth of our residents who receive a hardship rebate on their domestic waste charge. The reserve is used to offset any significant increase in cost due to urgent or unforeseen factors. Council refers to the recent China Sword' recycling crisis where recycled material could no longer be exported due to the high contamination rates, State regulation changes such as the mixed waste organic output (MWOO), the Container Deposit Scheme and the loss of value of recyclable commodities resulting in Council

no longer receiving a rebate for recycled items but having to pay a disposal and processing tonnage fee (Figure 4). All these issues had a significant impact on council's ability to provide price stability on the cost of the domestic waste disposal service charge.

Lack of infrastructure also affects council's ability to provide price stability as the long travel distances from the local government areas (LGA) to waste facilities is a significant cost contributor to the DWM charge. In order to maintain the same service levels, additional trucks and resources are required to compensate for longer travel time to waste facilities and this operational impact has a direct impact on the cost of providing the DWM services to the community.

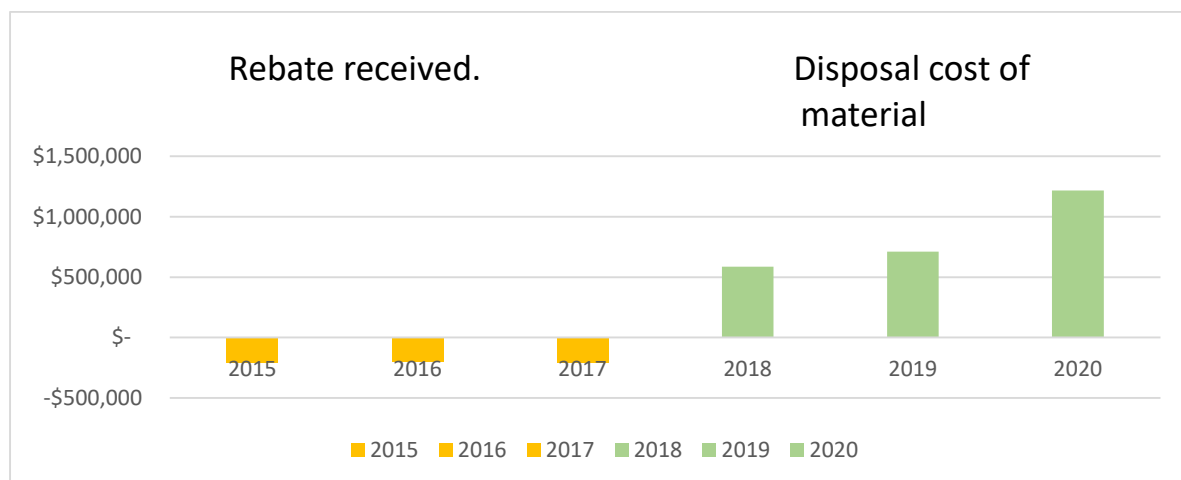


Figure 4: Difference resulting to loss of value of recycled commodities resulting in a disposal fee for this waste stream.

## Conclusion

In conclusion, the DWM service charge is impacted by numerous factors including the triple bottom line (social, environmental and financial), community expectations and state targets on resource recovery from NSW DPIE. Thus, the DWM service charges not only reflect the council's operational efficiencies but also the effectiveness of the system and the environmental considerations. In reference to IPART's proposed key pricing principles for DWM service charges, Fairfield City Council does not support a cap on DWM charges, as it will not address the market oligopoly issues or take into account local cost impacts. Imposing this control over DWM charges has the potential to escalate costs, as Fairfield City Council is unable to control the external drivers of the DWM service charges.

IPART could consider advocating on the issue of availability of waste infrastructure and transport logistics in Sydney, NSW, and interrogate the distribution of the Section 88 levy, both of which have the potential to drive down the cost of a DWM service.

Fairfield City Council supports the suggestion that the DWM charges should be transparent and provide stability in DWM service charges to the community. Overall, however, Fairfield City Council feels further discussions are required with local

councils, to clarify further the composition of the DWM services charges within local government.

Fairfield City Council would welcome an ongoing discussion on the domestic waste management service charges post release of the NSW 20 year Waste Strategy.