

Domestic waste management charges - Discussion Paper

Submission date: 20 October 2020, 4:13PM

Receipt number: 102

Related form version: 5

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 submission.
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 submission.
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 submission.
4. Do you have any other comments on councils' domestic waste management charges?	Please see attached submission.
5. Which Council do your comments relate to?	Hunter and Central Coast region Councils
Your submission for this review:	Please see attached submission.
If you have attachments you would like to include with your submission, please attach them below.	201020_HJO_IPART_DWC Submission_Final.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	Joe

Last Name	James
Organisation Name	Hunter Joint Organisation
Position	CEO
Email	[REDACTED]
IPART's Submission Policy	I have read & accept IPART's Submission Policy



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

19 October 2020

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

To Whom it May Concern,

Re. Review of domestic waste management charges

The Hunter Joint Organisation (HJO) welcomes the opportunity to provide a submission in response to IPART's Local Council Domestic Waste Management Charges Discussion Paper. The HJO has worked with ten Councils in the Hunter and Central Coast regions and many other government and non-government bodies for more than a decade on waste and resource recovery matters. We look forward to continuing to build capacity and drive innovation in partnership with the EPA.

The Hunter Joint Organisation

The HJO is one of 13 Joint Organisations across NSW established under the NSW Local Government Act to facilitate regional and rural councils working together for better regional outcomes. The Hunter JO works collaboratively with the 10 Councils of the Hunter Region (Mid Coast, Port Stephens, Newcastle, Lake Macquarie, Cessnock, Maitland, Singleton, Dungog, Muswellbrook & Upper Hunter), and with Central Coast Council. The functions of the JO include:

- Leadership & Advocacy
- Strategic Priorities and Plans
- Intergovernmental Collaboration
- Shared Services
- Capacity Building

Specifically, the HJO plays several roles in leading and coordinating the regional Waste and Resource Recovery Strategy, including:

- Leading change, through evidence-based research, information, programs and advocacy,
- Facilitate collaborative and cost-effective research, planning and management initiatives to enhance the local and regional environment
- Build the capacity of Councils to continue to design, deliver and embed innovation and sustainability into their business operations and strategic plans.

Response to Discussion Paper

In responding to IPART's Local Council Domestic Waste Management Charges (DWMC Discussion Paper), the HJO notes the intent to assess consistency and value for money of DWMC. However, the HJO notes that a number of factors have not been considered when identifying the discrepancy between the DWMC and the rate peg. In order to accurately and fairly consider the changes to the DWMC, these factors must be considered.



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

- Increases in the waste levy charges. This increased 14.2% from 2014-15 to 2017-18 and 18.8% to 2018, substantially outstripping the rate peg and inflation.
- Policy pressure from the NSW Government to continue investing in resource recovery infrastructure and services to meet increasingly ambitious domestic waste landfill diversion and recycling targets.
- Regulatory changes such as Council / MRF Refund Sharing Agreements under the Container Deposit Scheme and the MWOO land application ban.
- COAG's decision to ban the export of waste to international markets, requiring changed contractual arrangements and identification of alternative markets.

In addition to these existing factors, the 20-year waste strategy the *Recycling and Waste Reduction Bill* and Covid-19 will also be a critical consideration for the DWMC 2022-23 and beyond, as they will also influence future waste education, infrastructure and program costs and changes that will strongly influence DWMC.

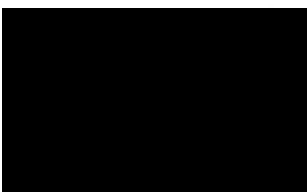
Further, the HJO and our member Councils are very concerned by the conflation in the discussion paper of the term 'efficient cost' with 'lowest price'. We are particularly concerned that prioritisation of lowest cost contracting will lead to both a race to the bottom in price and a narrowing of the market, as smaller players are squeezed out. The best tool Councils have at their disposal to ensure high quality, innovative and low-cost tendering processes is more market competition. Pushing adoption of lowest cost outcomes is not necessarily in Councils' long-term interests if the result of lowest cost tender decisions today results in a diminished pool of service providers tomorrow. While this is of concern for metro Councils, markets can be even more restricted for regional Councils.

The HJO welcomes the opportunity to continue discussions with IPART and our member Councils towards continual improvement of DWMC transparency and consistency. We would support a deeper analysis of underlying drivers of DWMC in the context of the 20-year waste strategy undertaken with relevant local and State Government representatives.

We would also support the collaborative development of Waste Management Guidelines that list and describe standardised core waste management and resource recovery services. This would increase bargaining power for councils, improve transparency, and allow for better standardisation where possible and appropriate.

To discuss this submission further, please do not hesitate to contact Tim Askew, Regional Program Manager on [REDACTED]

Regards,



Joe James
CEO, Hunter Joint Organisation



Response to list of 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?*

No. Council DWMC reflect a range of complex factors including but not limited to the rate peg. Factors that contribute to DWMC that are out of Councils' control include:

- The NSW S88 landfill waste levy which increased 14.2% from 2014-15 to 2017-18 and 18.8% to 2018, more than the rate peg or inflation.
- Policy pressure from the NSW Government to continue investing in resource recovery infrastructure and services to meet increasingly ambitious domestic waste landfill diversion and recycling targets.
- Uncertainty of end markets for dry recyclables and recycled organics and the increasing shift towards a circular economy.
- Regulatory changes such as Council / MRF Refund Sharing Agreements under the Container Deposit Scheme and MWOO land application.
- Increases to contract prices due to:
 - Rise and fall in commodity prices. Commodity prices impact Councils contracts differently depending on, for example, contract clauses, timing and length.
 - Reduced access to international markets leading to higher prices for recycled materials once Australia announced a ban on the export of waste.
 - Enforcement of previously lax contamination clauses in contracts in response to tightening contamination regimes in overseas markets.
 - Changes in packaging with increases in soft plastics and composite materials that are contaminants at the MRF.
- Reduced funding provided through the Better Waste and Recycling Fund, increasing costs to Councils

Further, DWMC cost-drivers may increase with:

- Future 20-year waste strategy decisions.
- The Australian Recycling and Waste Reduction Bill

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 reflect a complex range of factors, including, population size and density, existing infrastructure, and community expectation and preferences. The community is consulted about the level of domestic waste management service they wish to receive and are willing to pay for and can comment on the service prices annually. The community's satisfaction with the service is measured regularly (annual or biannual).

The HJO believe that some of the variables that influence service level include:

- Variable kerbside systems across and within councils (premerger systems yet to be amalgamated in merged councils) that ratepayers are willing to pay for including a combination of:
- Variable timing of collection – weekly, fortnightly or monthly



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

- Variable range of kerbside recycling material accepted in yellow bin
 - Variable levels of illegal dumping on the kerb
 - Variable levels of resource recovery the community expects as agreed to by community consultation in multi-year waste strategies.
 - Variable charges for private collection services that still want access to, for example, kerbside clean ups
 - Other charges, for example bin replacement and administrative charges for more than one change in service in one year
 - Extent of strategic planning for waste and resource recovery undertaken at council and regional level
 - Variable levels of communication, education and administration
 - Variable offerings built into the contract by commercial providers
 - Variable MRF, processing and landfill capacities and technologies/modernisation
 - Variable access to domestic and international markets for recycled material
 - Distance/time travelled to transfer stations, MRFs, processing facilities, landfills and markets
 - Council/contractor ownership of bins, recycled material post kerbside, transfer stations, MRFs and landfills
 - Council/contractor (including social enterprise) operation of collections, transfer stations, MRFs, processing and landfills
 - Council/contractor delivery and level of communications and education delivery
 - Cost of infrastructure and land; and remediation costs of landfill sites
 - Size, age, efficiency and carbon impacts of trucks used for collection
 - Width of roads and ease of access and egress
 - Demographics and cultural background
 - Density and type of residential dwellings
 - Geographic and settlement patterns
 - Market conditions on entering the market
 - Length of contract and contract maturity profiles
 - Rise and fall of global and domestic markets for recycling and organics
 - Limited availability to alternative recycling markets with limited capacity to process locally or stockpile recyclables
 - Contamination penalties and rate of contamination by residents over which councils have little direct influence
 - Disaster waste contingencies and management, for example free tipping of green waste for fire reduction risk and bulky goods disposal after floods
3. *Is there effective competition in the market for outsourced DWM services? Are there barriers to effective procurement?*

No. The number of commercial collection and processing service providers are shrinking.

Current barriers to effective procurement include:

- A race to the bottom in price. As previously stated, our concern is conflation between 'cost efficient' and 'lowest cost'. A race to the bottom will narrow the market and favour fewer, larger providers. This will not achieve long term cost-competitiveness.



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

- Requirement for approval by the ACCC before Councils can tender collectively and collaboratively. Councils can streamline services and achieve greater outcomes working together across LGAs. The onerous and costly process of engaging with the ACCC, which involves the services of solicitors, often dissuades Councils, especially smaller Councils from pursuing shared contracts.

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

Yes. However, should IPART seek to implement measures that would place further limits or barriers to overheads associated with provision of waste services, then we encourage any such decisions to be made with consideration of the waste hierarchy and its application in providing resource recovery initiatives. For example, waste avoidance, reuse, and waste education initiatives form important components of most Councils' waste services. The HJO does not support any further limitations to using DWM funding to support these programs without alternative funding sources being provided at the same time. The HJO would support returning a greater proportion of the Waste Levy to Councils in the levy paying areas by increasing the payments to Councils under the non-contestable Better Waste and Recycling Fund.

As an example, one of our member Councils, Lake Macquarie City Council currently pays around \$6.5 million in waste levy contributions for the 44,500 tonnes of domestic waste it landfills each year, however they only receive \$205,000 (3%) in levy rebates to help fund various waste education and resource recovery projects.

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

The HJO would welcome development of a set of pricing principles as guidance for Councils. Guidelines could provide clearer direction pricing calculation and reasonableness. Principles and guidance on the purpose of the DWMC restricted reserve policy, what is included, how it is used, and appropriate level of reserve, could also be considered.

It may be appropriate to review the sections of the LG Act related to kerbside services to be more responsive to community's demands and expectations as well as NSW Government policies regarding, for example, waste avoidance, reuse and the handling of problem wastes including associated behaviour change programs.

Regulation is likely to restrict Councils' ability to meet the different needs of communities and address contingencies outside the control of Councils without having to apply for special rate variations.

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

The HJO would also encourage actions that expand collection and processing service provider markets to reverse the trend of a narrowing market. IPART should also consider further investigation of price outliers, rather than adopting broad-brush actions.

Another possible consideration is a standardised and mandated suite of waste management services delivered across a wide region by an independent appointed body. This would work to ensure services are equitably delivered to the required standards and the most efficient and value-based cost outcome.



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

This would require significant regulatory and asset ownership changes but, would allow IPART the ability to monitor DWMC in a controlled and uniformly delivered service model.

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?*

IPART could explore establishing a Waste Management Guideline (WMG) that lists standardised core waste management and resource recovery services and have councils report their costs against those services. The WMG could include a table for Councils to insert and report their additional waste services initiatives and the costs and funding allocations for this.

However, the HJO wants to reiterate our concern with benchmarking Councils in such a varied and complex field.

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?*

Councils in NSW already report with extensive granularity on the waste services provided to their communities through the annual WARR return. This includes the annual DWMC, numbers and types of properties receiving services, and all additional resource recovery services. Additional regulatory reporting is undesirable and not required. Benchmarking may detrimentally affect smaller, rural councils and hinder the diversity of services varied Councils offer their resident.

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

Yes. It is appropriate for IPART to maintain regulatory authority. However, DWMC audits in addition to existing regulatory requirements is unlikely to achieve 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?*

Councils in NSW already report with extensive granularity on the waste services provided to their communities through the annual WARR return. This includes the annual DWMC, numbers and types of properties receiving services, and all additional resource recovery services. This information could be easily extracted to populate the centralised database without requiring any additional reporting input from Councils.

The drivers of pricing are complex and varied as previously stated. Given that, it may be very difficult to benchmark Council performance against their peers without additional background regarding factors such as geography, population size, the suite of existing Council services, annual budgetary pressures and political, economic and societal changes that influence service availability and price. Without that background, benchmarking between different Councils may be challenging and cause additional, unwarranted, concerns in the community.



As discussed above the HJO does not support the benchmarking of the DWMC due to the complex variables involved that are likely to cause confusion and lead to misinterpretation by the public. However, the HJO welcomes any action to bring accountability and transparency to the full costs and benefits of waste and resource recovery outcomes and believe that councils are already achieving this. Centralising existing contract data that is already publicly available may have merit.

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

The HJO believes a set of pricing principles aligned with the 20-year waste strategy would provide policy consistency, with inclusion of costs of remediation of legacy waste facilities to today's standards.

Councils currently recover the costs of providing DWM services. 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.

Additional feedback provided includes:

- Applying incremental cost allocations for direct costs is reasonable but is not reasonable for overheads, given the nature of those costs.
- The proposal that pensioner rebates, as 'social programs', should be funded by general rates directly conflicts with the current guidelines and is out of step with existing rules.
- The DWMC is currently sufficiently transparent and ratepayers have many avenues to seek further information.
- DWMCs should balance efficient costs with safe and reliable services.
- The waste levy component of the DWMC is not as an efficient cost as the levy is not used solely for promoting recycling and resource recovery.
- WLRM grants do not offset the base cost of the DWMC and are not sufficiently certain to be taken off the price of the DWMC.
- The proposal to have each individual service (e.g. garbage, recycling, green/food, bulky waste, etc.) rated separately is concerning and could create unintended negative outcomes from the pursuit of educating communities on each service's costs. For example, particularly in some rural and regional local government areas, recycling services are the most expensive of their two or three bin systems. When residents see this, they may lobby to opt out of recycling, resulting in either increased costs for the pool of tenements receiving the service, or the total loss of the service when the number of tenements shrinks to the point where the service is no longer viable. This outcome would be counter to the objectives of the NSW Government's Waste and Circular Economy Strategies.

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

Additional issues that should be considered and prioritised within this review are:

- Weighting towards higher order environmental outcomes.
- Reviewing consistency between pricing and community expectations.
- Consideration of intergenerational costs as reasonable costs.



ABN 19 949 536 343

59 Bonville Avenue | PO Box 3137 | Thornton NSW 2322
P (02) 4978 4040 | F (02) 4966 0588

FOLLOW OUR PROGRESS  

- Ecologically Sustainable Development, and
- The 20-year waste strategy and the shifting resource recovery markets.

As previously stated, there is concern that 'cost efficiency' and 'lowest price' are or will be conflated, 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?

It is unclear what the purpose, outcome and audience would be for a centralised database. The Government Information (Public Access) Act 2009 already requires that contract information is made publicly available through a contract register, increasing transparency. Using a centralised database for comparison purposes would be difficult without seeing the specific details of the cost structure and what was finally negotiated.

Tenderers will consider their rates to be commercial in confidence. Even with high-level detail only, it would be straightforward to determine the number of tenements serviced and therefore deduct a per-tenement rate for direct comparison between providers.

However, providing the name of a tenderer, suite of services, and contract values would be useful and, as the Discussion Paper points out, should already technically be available in accordance with the *Local Government Act*.

As mentioned in response to question 12, Councils need to be cautious how they use this information. A certain level of awareness is needed to understand the business environment and strategies responsible for the contract fees currently in place (particularly in the metropolitan market). IPART and Councils need to be aware of the longer-term ramifications of collectively pushing for lowest cost service providers in the short-term, if the result is a shrinking pool of providers and higher service fees in the long-term due to a lack of competition.