

Domestic waste management charges - Discussion Paper

Submission date: 16 October 2020, 12:32PM

Receipt number: 71

Related form version: 4

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?	<p>In 2016, Waste management within NSW was overhauled with the introduction of the waste levy in metropolitan areas and focus on compliance implemented by The Environmental Protection Authority (EPA). Changes in these areas have impacted council's financially and councils have had limited time to respond, which has contributed to DWM charges increasing faster than the rates peg.</p> <p>Lachlan Shire Council is a regional council located in the Central West of NSW, our geographic location is 450 km or 6 hours from Sydney, 200km from Orange and 210 km from Dubbo. Council outsources the majority of its waste management obligations to external contractors, which includes kerbside collection of waste and recycling which is currently offered in Condobolin, Lake Cargelligo, Tottenham, Albert, Fifield, Derriwong and Tullibigeal. In addition to drop-off waste facilities in Condobolin, Lake Cargelligo, Tottenham, Tullibigeal and Burcher. Drop-off facilities through a bin-bank system are also provided in Albert, Derriwong and Fifield. An organics (green bin) kerbside collection is also offered in Condobolin.</p> <p>A special rate variation of 5.9% for 2018/19 – 2020/21 was required to meet waste management operational cost and the requirements of The Local Government Act 1993, Section 504(1) and (2).</p> <p>There is limited competition of</p>

effective/compliant waste providers that operate within the region. Council finds it difficult to attract competitive suppliers due to the large council area, rural/ western location and relative small amounts of waste produced and the lack of economies of scale.

Specialised waste management suppliers have to be sourced from regional centres like Orange, Dubbo or other metropolitan areas. Local suppliers often cannot compete with larger multi council established or regional suppliers, however in an attempt to support local businesses, Council can be subject to paying higher DMW costs, which are undertaken by local suppliers.

Council has been subject to increases in recycling costs due to the National Sword Charge, Container Deposit Scheme (CDS) and increased gate fees from \$0 to \$60 per tonne and a 50/50 agreed sharing proportion of CDS in 2018. The latest contract implemented in 2020, represents an increase in recycling processing gate fees from \$60 to \$105 per tonne and 0% proportion from CDS revenue generated from kerbside co-mingled recycling collection.

Over the last 4 years Council has upgraded its waste facilities and changed waste disposal practices in order to meet environmental compliance, increase landfill life expectancy and WHS compliance. This has resulted in increased operational costs and increases in DWM charges. In order to reduce operational costs and minimise environmental risks, Council has closed three of its smaller facilities and converted them to transfer stations.

The inclusion of CDS throughout NSW has redirected a revenue stream away from Council's co-mingled kerbside recycling and this has resulted in Council losing 100% of this revenue. Materials Recycling Facilities (MRF) are experiencing diversion of higher valued recyclable material (CDS) away from kerbside recycling, effecting the ability to offset the cost of processing lower valued recyclables and this cost is passed back onto Council's in the form of gate fees.

<p>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?</p>	<p>Reporting enabling comparison of like services across similar councils</p> <p>Reporting which provides a comparison of like services across similar councils will allow transparency and services to be determined, if they will be relevant to councils in similar circumstances. In rural Councils there are large variations between Councils and towns. Reporting could potentially improve competition, allow councils to be able to gauge and review the type of services that are offered or not offered and the costs associated with those services. Councils may be able to determine if they are over servicing or under servicing certain aspects of DWM.</p>
<p>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?</p>	<p>How information is displayed should be considered and how this will effect commercial in confidence information between Councils and its contractors to ensure unfair advantages to competitors are not obtained and personal/financial information does not become publically available.</p> <p>A database that simply compares DWM charges without explanation of the unique circumstances that impact waste charges between local government areas, such as remoteness of locality, lack of competition for contract services, population etc., will not be helpful. This type of information can often lead to unrealistic expectations for people living in rural and remote areas as they don't have sufficient information to understand the economies of scale generated in larger population areas.</p>
<p>4. Do you have any other comments on councils' domestic waste management charges?</p>	<p>None identified</p>
<p>5. Which Council do your comments relate to?</p>	<p>Lachlan Shire Council</p>
<p>Your submission for this review:</p>	<p>Please see attached.</p>
<p>If you have attachments you would like to include with your submission, please attach them below.</p>	<p>Lachlan Shire Council - IPART response.pdf</p>
<p>Your Details</p>	
<p>Are you an individual or organisation?</p>	<p>Organisation</p>
<p>If you would like your submission or your name to remain confidential please indicate below.</p>	<p>Publish - my submission and name can be published (not contact details or email address) on the IPART website</p>
<p>First Name</p>	<p>Rowan</p>

Last Name	Bentick
Organisation Name	Lachlan Shire Council
Position	Environment and Waste Coordinator
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

Council's Name

Lachlan Shire Council

2. 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?

In 2016, Waste management within NSW was overhauled with the introduction of the waste levy in metropolitan areas and focus on compliance implemented by The Environmental Protection Authority (EPA). Changes in these areas have impacted council's financially and councils have had limited time to respond, which has contributed to DWM charges increasing faster than the rates peg.

Lachlan Shire Council is a regional council located in the Central West of NSW, our geographic location is 450 km or 6 hours from Sydney, 200km from Orange and 210 km from Dubbo. Council outsources the majority of its waste management obligations to external contractors, which includes kerbside collection of waste and recycling which is currently offered in Condobolin, Lake Cargelligo, Tottenham, Albert, Fifield, Derriwong and Tullibigeal. In addition to drop-off waste facilities in Condobolin, Lake Cargelligo, Tottenham, Tullibigeal and Burcher. Drop-off facilities through a bin-bank system are also provided in Albert, Derriwong and Fifield. An organics (green bin) kerbside collection is also offered in Condobolin.

A special rate variation of 5.9% for 2018/19 – 2020/21 was required to meet waste management operational cost and the requirements of *The Local Government Act 1993, Section 504(1) and (2)*.

There is limited competition of effective/compliant waste providers that operate within the region. Council finds it difficult to attract competitive suppliers due to the large council area, rural/ western location and relative small amounts of waste produced and the lack of economies of scale. Specialised waste management suppliers have to be sourced from regional centres like Orange, Dubbo or other metropolitan areas.

Local suppliers often cannot compete with larger multi council established or regional suppliers, however in an attempt to support local businesses, Council can be subject to paying higher DMW costs, which are undertaken by local suppliers.

Council has been subject to increases in recycling costs due to the National Sword Charge, Container Deposit Scheme (CDS) and increased gate fees from \$0 to \$60 per tonne and a 50/50 agreed sharing proportion of CDS in 2018. The latest contract implemented in 2020, represents an increase in recycling processing gate fees from \$60 to \$105 per tonne and 0% proportion from CDS revenue generated from kerbside co-mingled recycling collection.

Over the last 4 years Council has upgraded its waste facilities and changed waste disposal practices in order to meet environmental compliance, increase landfill life expectancy and WHS compliance. This has resulted in increased operational costs and increases in DWM charges. In order to reduce operational costs and minimise environmental risks, Council has closed three of its smaller facilities and converted them to transfer stations.

The inclusion of CDS throughout NSW has redirected a revenue stream away from Council's co-mingled kerbside recycling and this has resulted in Council losing 100% of this revenue. Materials Recycling Facilities (MRF) are experiencing diversion of higher valued recyclable material (CDS) away from kerbside recycling, effecting the ability to offset the cost of processing lower valued recyclables and this cost is passed back onto Council's in the form of gate fees.

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

Multiple Choice – 1. A great deal, 2. A lot, 3. A moderate amount, 4. A little, 5. None at all.

Answer – A lot.

Rural councils struggle and often are unable to provide services due to the operational costs associated with providing that service. In rural Council's it is cheaper to landfill waste than it is to provide kerbside recycling services or Food, Organics, Garden waste into fertiliser. The community often wish to have services that larger regional or metropolitan councils implement like FOGO, however operational costs are a major barrier.

The most recent tender in 2016, revealed the cost for undertaking FOGO would amount to \$11.00 per bin lift across 2,400 bins within Lachlan Shire Council (LSC), this is compared to \$1.80 per lift for general waste.

Many rural councils, including Lachlan Shire Council have had to review DWM services they provide in order to meet budget limitations and keep costs associated with DWM at a reasonable level for rate paying residents. For LSC this includes closing 3 landfills, reducing opening hours for three staffed waste facilities, not having staff for two waste facilities and implementing gate charges for commercial waste.

Waste management changes and innovation are led by metropolitan areas, where there is large volumes of material, small geographical locations, dense population and competition. Regional hubs can offer certain waste services, generally at a higher cost, however the community generally accepts this cost. In rural councils and LSC, the associated cost of regular services like FOGO is not viable and Council is often seen as not being proactive in waste diversion.

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

Council is very limited in obtaining and attracting effective waste management providers as a stand alone Council. Local contractors are often not experienced, don't have effective equipment or the resources required to be able to undertake Council's waste management obligations. Council is subject to a large geographical area (14,900 square KM), small population (6,200) and produces relatively small amounts of waste compared to metropolitan or regional centres which results in low economies of scale. Annual waste received in Lachlan Shire Council is approximately 7,000 tonnes (T) comprised of 1,500 T kerbside waste, 180 T of kerbside recycling, 125 T kerbside organics, 4,000 T of self-hauled waste, 1,000T Scrap Metal, 100T of self-hauled organic waste and 95T of other waste across 5 facilities.

The barriers with procurement, identified above, are combatted by being a member Council of Netwaste Voluntary Waste Group and part of regional contracts, implemented through Netwaste. This assists Council in providing cost effective waste disposal of motor oil, scrap metal, green waste processing, community recycling centres, grant funding, household chemical cleanout program and engaging professional services. Engaging suppliers through Netwaste and regional contracts has also been impacted in recent years. For example scrap metal prices have been reduced, there is less competition from suppliers and there have been rises in processing costs of other contracts.

Council has limited resources, staff and expertise in DWM. DWM is comprised of many variables including landfill operations, kerbside collections, recycling, landfill life, budgeting, rehabilitation and

compliance. LSC dedicates a fulltime officer, whose role also incorporates compliance, public health, regulations and biosecurity to this role.

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

Yes – overheads relate to DWM only.

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

Multiple Choice

- 1. Developing a set of pricing principles for setting DWM charges, as guidance for councils**
- 2. IPART regulating price increases through setting maximum percentage variations for some or all DWM charges**
- 3. Reporting enabling comparison of like services across similar councils**
- 4. Detailed further investigation and regulation only applied to outlier councils**
- 5. Other stakeholder suggestions**

Answer - Reporting enabling comparison of like services across similar councils

Reporting which provides a comparison of like services across similar councils will allow transparency and services to be determined, if they will be relevant to councils in similar circumstances. In rural Councils there are large variations between Councils and towns.

Reporting could potentially improve competition, allow councils to be able to gauge and review the type of services that are offered or not offered and the costs associated with those services. Councils may be able to determine if they are over servicing or under servicing certain aspects of DWM.

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

IPART should consider a combination of approaches listed above in question 6, although each Council should be evaluated and consideration given to its situation and circumstances. Rules should not be made to apply to both metropolitan and rural Councils, they must be considered differently as their circumstances are different.

8. 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?

Reporting could potentially improve competition. Council will be able to gauge and review the type of service that they offer or don't offer and costs associated. In particular, rural councils may be able to determine if they are over servicing or under servicing aspects of waste management, through consultation with the community and the elected Council. Community expectations will vary across Council's in NSW.

9. 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?

Multiple Choose – 1. Very likely, 2. Likely, 3. Neither, 4. Unlikely, Very Unlikely

Answer -Likely, Each Council has different circumstances and expectations from the community in how it manages waste. The reporting will allow each Council to compare with similar Councils to obtain information that is relevant to them. However, the reporting, monitoring and benchmarking approach will put additional resourcing costs on Councils that are already struggling to keep up with reporting requirements across the sector.

The pricing principals are very similar to regulation already in place under the Local Government Act. Council is to ensure DWM charges are set not to exceed the reasonable cost of providing DWM services and revenue collected through DWM charges may only be used for DWM purposes (*Local Government Act, sections 504(3) and 409(3)(a)*).

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

Possibly - IPART's approach may identify issues, outline possible options and references to other Councils. However, OLG's approach will be specific to Lachlan Shire rather than comparing Lachlan with metropolitan Council's.

Lachlan Shire Council has no issues with the audits being undertaken by OLG, as Council has not generated a surplus from DWM charges in past years, requiring the 5.9% special rate variation to be implemented over 2018-19 – 2020-21 financial years.

11. 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?

How information is displayed should be considered and how this will effect commercial in confidence information between Councils and its contractors to ensure unfair advantages to competitors are not obtained and personal/financial information does not become publically available.

A database that ~~that~~ simply compares DWM charges without explanation of the unique circumstances that impact waste charges between local government areas, such as remoteness of locality, lack of competition for contract services, population etc., will not be helpful. This type of information can often lead to unrealistic expectations for people living in rural and remote areas as they don't have sufficient information to understand the economies of scale generated in larger population areas.

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

Yes - These principals are similar to regulation under the Local Government Act already implemented.

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

None identified

14. 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? Why/why not?

Likely - A centralised database could be used as a tool to assist Councils when implementing DWM contracts, as comparisons of costs and services provided could be obtained. However, it is important to outline this database may also be used by waste service providers which could result in a

monopoly of markets and contracts, impacting negatively on smaller local operators and increased costs for smaller/regional councils.