

Domestic waste management charges - Discussion Paper

Submission date: 13 October 2020, 2:30PM

Receipt number: 66

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>The discussion paper raises concerns regarding some Councils having a surplus due to the annual revenue exceeding the annual expenses with regard to collection.</p> <p>Councils who run their own waste facilities will need to hold surplus to save for very large and infrequent costs like new cell construction, new site establishment, capping and rehabilitation and plant replacement.</p> <p>For councils not running facilities these costs would be spread evenly with their regular tipping costs and any surplus would be held by the facility owner to enable them to carry out the upgrades.</p> <p>MWRC is subject to price fluctuation outside of Councils control. The recycling market is volatile and prices paid for product or charged by recyclers varies month to month. It would be a poor outcome to have charges capped or regulated to an extent where Councils are forced to landfill product due to inadequate financial resource to make improvements to recycling collection or sorting systems that would allow quality separation into the future. State Government has set waste minimisation targets and Councils need adequate financial resources to meet targets, and the cost of meeting targets will vary depending on volumes produced and access to markets.</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?	Nil
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>A centralised database is not appropriate due to the huge variation in the suite of services provided by individual Council's as part of their DWMC. Examples of variations include weekly/ fortnightly collections, FOGO/ Garden or no organics collection, recycling/ no recycling or drop off only facilities.</p> <p>A database available to the public would result in comparison of price only without understanding the differing level of services provided.</p> <p>A set of principles as a reference document for Councils to use would be appropriate.</p>
4. Do you have any other comments on councils' domestic waste management charges?	Nil
5. Which Council do your comments relate to?	Mid-western Regional Council
Your submission for this review:	Please see attached document. This will be posted to you also.
If you have attachments you would like to include with your submission, please attach them below.	201013 IPART DWM discussion paper submission - signed.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	Leonie
Last Name	Johnson
Organisation Name	Mid-Western Regional Council
Position	Chief Financial Officer
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy



ER | RAT700001

13 October 2020

Review of Domestic Waste Management Charges

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop, Sydney NSW 1240

Dear Tribunal Members,

SUBJECT: IPART DOMESTIC WASTE MANAGEMENT CHARGES – DISCUSSION PAPER

1. *Are there concerns with the prices councils charge for domestic waste management services? Why/why not?*

The discussion paper raises concerns regarding some Councils having a surplus due to the annual revenue exceeding the annual expenses with regard to collection.

Councils who run their own waste facilities will need to hold surplus to save for very large and infrequent costs like new cell construction, new site establishment, capping and rehabilitation and plant replacement.

For councils not running facilities these costs would be spread evenly with their regular tipping costs and any surplus would be held by the facility owner to enable them to carry out the upgrades.

MWRC is subject to price fluctuation outside of Councils control. The recycling market is volatile and prices paid for product or charged by recyclers varies month to month. It would be a poor outcome to have charges capped or regulated to an extent where Councils are forced to landfill product due to inadequate financial resource to make improvements to recycling collection or sorting systems that would allow quality separation into the future. State Government has set waste minimisation targets and Councils need adequate financial resources to meet targets, and the cost of meeting targets will vary depending on volumes produced and access to markets.

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?*

Nil.

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?

A centralised database is not appropriate due to the huge variation in the suite of services provided by individual Council's as part of their DWMC. Examples of variations include weekly/ fortnightly collections, FOGO/ Garden or no organics collection, recycling/ no recycling or drop off only facilities.

A database available to the public would result in comparison of price only without understanding the differing level of services provided.

A set of principles as a reference document for Councils to use would be appropriate.

4. *Do you have any other comments on councils' domestic waste management charges?*

Nil

List of questions in this Discussion Paper (as per Page 6 of 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?*

Mid-Western Regional Council (MWRC) is conscious of the impact of rising DWM charges and is trying to spread the impact of increasing fees over the medium term. The major contributing factors towards cost increase and therefore DWM charges increase are:

- In 2018/19 MWRC introduced a food and organics bin weekly collection. That year saw the fee increase by \$99 or just over 56% to recover the cost of the service.
- Recycling changes post China sword have meant capital upgrades are required to ensure Council can supply product of a high enough quality for processing.
- Landfill closure and site rehabilitation and monitoring costs in accordance with EPA requirements are very significant. DWM charges need to allow for the costs of not only collection but landfill operation and future management.

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

Desired services and the level of service could greatly vary charges across Councils. The geographic location of services and related infrastructure are also important cost drivers that Council does not have a large amount of control over.

MWRC provides the following Domestic Waste Management Services across the four major residential towns in the LGA:

- Weekly 240L General Waste Collection
- Weekly 240L Food and Organics Collection
- Fortnightly 240L Paper/Cardboard Recycling Collection
- Fortnightly 240L Container Recycling Collection

MWRC Operates one landfill site where domestic waste is disposed, recycling is sorted and stored. Food and Organics collection and processing are supplied under contract.

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

Nil.

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

Appropriate discernment between the 2 overheads exist, however the use of shared resources exist for efficiency. Further, it is not unreasonable to expect corporate overheads for a service

that interacts so frequently with customers, carries a reasonably high level risk, management, plant and equipment requirements. MWRC overheads make up approximately 10% of DWM cost.

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

MWRC would support:

- The development of pricing principles to guide the setting of charges and promote consistency in approach across NSW
- Investigation of outlier Councils

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

Rather than an annual auditing, which would be costly, an audit every 5 years would ensure Council over time are keeping within the pricing principles.

IPART could consider an annual return of information to identify outliers

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?*

Nil.

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?*

MWRC agrees with the view that an intrusive approach will have a high regulatory burden that is likely to outweigh the benefits.

MWRC would welcome better guidance on price setting by the OLG

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

Yes.

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?*

- MWRC does not support a public benchmarking tool marketed to compare Councils. We believe there would be too many variables within service operations to accurately draw comparisons between Councils. Our preference would be that Council provides confidence to ratepayers by review or oversight by an independent body rather than conclusions being drawn from simplified comparison information that could not provide all the detail necessary to explain variances in pricing.

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

- MWRC do not agree with an incremental cost approach for assigning costs to the service. Incremental costs are a relevant concept for strategic decisions such as insourcing versus outsourcing as they only consider relevant costs that will change or be additionally incurred between two decisions. However when considering the unit cost of the service a fixed cost should be allocated appropriately and not set aside. This could therefore result in general rates subsidising the DWM function.

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

Nil.

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 information on successful contractor and contract amount is already published as per LGA. Requirements (contracts over \$50k).

A summary of waste tenders including the services provided under tender, costs could be a reference when evaluating tenders or in house charges with regard to cost of service. However, Council believes there would be commercial confidence breaches in providing more than just a contract price – or any kind of tool for price comparison between contractors and does not recommend this is pursued unless this has been thoroughly and legally tested



LEONIE JOHNSON
CHIEF FINANCIAL OFFICER