

# Domestic waste management charges - Discussion Paper

Submission date: 20 September 2020, 4:38PM

Receipt number: 35

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?	Yes it is a concern. A particular cost driver not canvassed in the discussion paper is the impact of regulatory change. The NSW Waste Levy; the revocation of the exemption for the land application of the mixed waste organic output (MWOO); the introduction of the container deposit scheme; changes in EPA standards for landfill cell construction and operation; proposed new Federal Government licencing requirements; and China Sword etc are the most significant new cost drivers for Nambucca Valley Council. All of these regulatory imposts are outside the control of the Council.

<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>Overhead expenses at Nambucca Valley Council are 14% of domestic waste management charges. The overhead expense is not what is driving increased DWM charges for Nambucca Valley residents. As indicated in response to question 1 the main driver of increases in DWM charges are regulatory requirements and levies imposed by other levels of government, and particularly the NSW Government's Waste Levy which for this LGA is currently \$84.10 per tonne. I do not understand why this levy applies to the 8th most disadvantaged community in NSW when it doesn't apply to LGA's west of the Great Dividing Range, most of which are less disadvantaged. So it is suggested that IPART request the NSW Government to:</p> <ol style="list-style-type: none"> <li>1. Freeze any further increases in the Waste Levy</li> <li>2. Remove the Waste Levy from hazardous materials that should be removed from buildings eg asbestos</li> <li>3. Remove the Waste Levy from daily cover and capping material which the EPA requires to be applied to landfills</li> </ol>
<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>Whilst the information is currently available in each Councils fees and charges it is agreed for reasons of transparency and accountability the NSW Office of Local Government publish a database showing Councils' waste charges for kerbside collection. There should be a brief explanation of the nature of the service. It would also be useful to provide a comparison of the most common landfill charges for those councils which operate landfills.</p>

4. Do you have any other comments on councils' domestic waste management charges?	IPART should be aware that the EPA's revocation of the exemption for the land application of mixed waste organic output (MWOO) will potentially cost Coffs Harbour City Council or the Coffs Coast Waste Councils (Coffs Harbour, Bellingen and Nambucca) \$18m over the remaining six year life of the mixed waste processing contract. Other recent examples of regulatory change producing cost impacts on long term contracts was the introduction of the container deposit legislation and changes to the EPA's requirements for landfill construction and operation. Council's experience is that there is a reasonable likelihood of regulatory change having significant direct and indirect cost impacts on domestic waste services over the life of waste contracts. Contractors similarly consider such risk in their tender pricing. This may be one reason for Councils opting for "apparent" surpluses.
5. Which Council do your comments relate to?	Nambucca Valley Council
Your submission for this review:	<p>Please find attached a report to Council's meeting on 10 September 2020 which provides a more detailed response.</p> <p>Council's overriding concern is that it is being "squeezed" in every direction in relation to DWM. The DWM responsibilities of councils are already heavily regulated and heavily taxed. IPART should be extremely cautious about adding further regulation. Whilst all stakeholders should be concerned to minimise DWM charges adding another layer of regulation may be counter productive to achieving that goal.</p>
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">Nambucca Valley Council Report - Review of Domestic Waste Management Charges.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
First Name	Michael
Last Name	Coulter
Organisation Name	Nambucca Valley Council
Position	General Manager

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

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**GENERAL MANAGER'S REPORT**

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**ITEM 9.2    SF770            100920    IPART REVIEW OF LOCAL COUNCIL DOMESTIC WASTE  
MANAGEMENT CHARGES**

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**AUTHOR/ENQUIRIES:** Michael Coulter, General Manager

**SUMMARY:**

To date IPART has opted not to limit the maximum percentage by which domestic waste management charges may be varied. However by law Councils are required to set charges that do not exceed the reasonable cost of providing domestic waste management services. These costs and charges are subject to audit. IPART is now considering whether or not they should specify the maximum percentage by which these charges may be varied in a given year and have released a discussion paper in relation to the matter. The deadline for comment is 6 October 2020.

**RECOMMENDATION:**

**That the information and comments in the report be referred to IPART as a submission to their Discussion Paper on Local Council Domestic Waste Management Charges.**

**OPTIONS:**

The Council has discretion as to whether it makes a submission and the content of that submission.

**DISCUSSION:**

The Independent Pricing and Regulatory Tribunal (IPART) has released a Discussion Paper (**attached**) as part of their review of local council domestic waste management charges. According to IPART there is a wide variation in charges which may indicate they may not be delivering good value for ratepayers. Of course there will be many other reasons for a disparity in charges and IPART are conscious they need to be cautious in assessing the reasons for disparities and any prescriptive regulation. IPART are seeking responses on the discussion paper by 6 October 2020.

In June 2019, OLG informed IPART that it had ceased conducting audits of the reasonable cost basis of DWM charges in 2016-17. OLG intends to enter into a wider audit arrangement with the Auditor General, and DWM charges may be included, but there is no definite plan or timeframe for this.

It is puzzling that IPART would consider domestic waste management charges a priority given that councils are required to "ring fence" their domestic waste operations in terms of financial reporting. This means by law they can only set charges that do not exceed the reasonable cost of providing those domestic waste management (DWM) services. Secondly there is a very significant financial impact caused by the NSW Government's waste levy on DWM in those councils which are subject to the levy. Thirdly as the Coffs Coast Waste Councils are well aware the cost of processing domestic waste to remove recyclables and reusable product from the waste stream is very expensive. Fourthly there are substantial differences in the level of service across councils, ie frequency of service, size of bins, provision of bulky goods services etc.

IPART identifies the following potential issues with DWM charges:

1. DWM charges may not reflect reasonable and efficient costs noting that Councils are usually monopoly providers of DWM services.

The questions to which IPART are seeking responses together with the proposed response from Council is as follows:

***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?***

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Yes it is a concern. A particular cost driver not canvassed in the discussion paper is the impact of regulatory change. The NSW Waste Levy; the revocation of the exemption for the land application of the mixed waste organic output (MWOO); the introduction of the container deposit scheme; changes in EPA standards for landfill cell construction and operation; proposed new Federal Government licencing requirements; and China Sword etc are the most significant new cost drivers for Nambucca Valley Council. All of these regulatory imposts are outside the control of local government.

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

There are significant differences in service levels between councils and it is imperative to understand these in order to undertake meaningful cost comparisons. The Coffs Coast Waste Councils (Coffs Harbour, Bellingen and Nambucca) made a very significant investment in mixed waste processing compared to most rural and regional councils. That investment did divert significant material from the waste stream until the NSW EPA revoked the exemption for the land application of the mixed waste organic output (MWOO)

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

By the nature of the scale and length of contracts as well as risks pertaining to regulatory change there are natural barriers to the entry of new contractors into the market for the supply of DWM services. Councils do have the opportunity to bring DWM services in-house to be undertaken by day labour. However there is a huge capital cost to undertaking this and the Local Government Award (compared to other Awards) makes it difficult for councils to be cost competitive.

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

The IPART discussion paper refers to metropolitan councils reporting the proportion of overhead expenses at about 65% of DWM charges compared to the 14% reported at this Council. Given that the "ring fencing" of DWM is an audited legislative requirement it is difficult to accept this wide divergence in outcomes for overhead allocation. It is something which needs to be addressed by the NSW Auditor General.

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

There is no evidence of a problem that requires regulation. There is evidence that the waste levy and other regulatory changes are significant cost drivers. If IPART recommends a regulatory approach then it will need to account for these changes.

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

Waste management is a significant cost to business as well as the households. It would be useful to understand the costs in different Australian jurisdictions and compared to other developed countries. There may be something to learn from the way these jurisdictions undertake DWM.

**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?**

This is difficult for the general reason that more environmentally sustainable outcomes cost more. As Nambucca Valley Council has discovered the marginal cost for extracting more recyclable and reusable product from the waste stream increases as the diversion rate from the waste stream increase. In relation to this increasing marginal cost there will be different attitudes as to the efficiency of the expenditure.

**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?**

There is merit in developing a reporting, monitoring and benchmarking approach to assist an understanding of the different service levels and sustainability outcomes related to DWM. It will also identify the impact of regulatory cost drivers like the NSW Waste Levy. The public will better understand the trade-offs between cost and sustainability outcomes.

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

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*No for the reason Council's DWM charges are already the subject of audit by the NSW Auditor General on behalf of the NSW Office of Local Government.*

**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?**

*No the database is reasonably straightforward but the reasons for differences in charges will not be straightforward.*

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

*The determination of the incremental (additional) cost allocation rather than an average cost for determination of DWM overheads is complex and open to interpretation.*

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

*Yes – the impact of the NSW Waste Levy and other regulatory changes.*

**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?**

*Councils are already obligated to provide most of this information in their contract registers. One issue is that DWM contracts are usually long lived and getting timely, comparable information for similar councils may not be easy when contracts are only renewed at intervals of around 10 years.*

**On Line Questions**

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

*Yes there are concerns mainly attributable to the NSW Government Waste Levy which for Nambucca Valley Council is currently \$84.10 per tonne.*

**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?**

*Request the NSW Government freeze any further increases in the Waste Levy. Also remove the Waste Levy from materials that have reached their life cycle, ie asbestos and CSA treated timbers etc. and from operational cover materials brought into waste management facilities to meet EPA licence requirements for the daily covering of waste.*

**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 council in pricing domestic waste charges, be helpful? Why/why not?**

*Whilst this information is currently available in each Councils fees and charges it is agreed for reasons of transparency and accountability the NSW Office of Local Government publish a database showing Councils' waste charges for kerbside collection. There should be a brief explanation of the nature of the service. It would also be useful to provide a comparison of the most common landfill charges for those councils which operate landfills.*

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

*IPART should be aware that the EPA's revocation of the exemption for the land application of mixed waste organic output (MWO) will potentially cost the Coffs Coast Waste Councils (Coffs Harbour, Bellingen and Nambucca) \$22m over the remaining six (6) year life of the mixed waste processing contract. Other recent examples of regulatory change producing cost impacts on long term contracts was the introduction of the container deposit legislation and changes in the EPA's requirements for landfill construction and operation. Council's experience is that there is a reasonable likelihood of regulatory change having significant direct and indirect cost impacts on domestic waste services over the life of waste contracts. Contractors similarly consider such risk in their tender pricing. This may be one reason for Councils opting for "apparent" surpluses.*

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**CONSULTATION:**

Council's Chief Financial Officer has provided comment on the draft report which has been incorporated.

He has posed the "radical" thought of a reverse cost shift and making waste management a state responsibility. Given the taxation and regulatory arrangements relating to DWM the idea is not without merit. Increasingly Councils seem to be heading in the direction of becoming an agent of the State, collecting taxation and complying with regulations over which they have no control but at the same time are being held accountable for the outcomes.

The Civic Services Coordinator has requested that Council seek the support of IPART to remove the waste levy from asbestos and CSA treated timber and from cover material brought into the landfill to meet EPA licence requirements for the daily cover of waste. These comments have been included in the proposed response.

**SUSTAINABILITY ASSESSMENT:****Environment**

There are no implications for the environment.

**Social**

There are no social implications.

**Economic**

There are no economic implications.

**Risk**

In terms of risk the Council is being "squeezed" in every direction in relation to DWM. The DWM responsibilities of councils are already heavily regulated and heavily taxed. IPART should be extremely cautious about adding further regulation. Whilst they are genuinely concerned to assist the public in minimising DWM charges adding another layer of regulation may be counter-productive to achieving that goal.

**FINANCIAL IMPLICATIONS:****Direct and indirect impact on current and future budgets**

At this stage there are no budgetary impacts.

**Working funds – justification for urgency and cumulative impact**

At this stage there is no impact on working funds.

**Service level changes and resourcing/staff implications**

Adding further regulation to DWM will increase Council's governance costs. Should IPART regulate to fix increases in DWM charges then it will likely replicate the procedure Councils must go through to seek a special rate variation should the Council require an increase in DWM charges above the stipulated allowance.

**ATTACHMENTS:**

1 36850/2020 - IPART discussion paper - domestic waste management