Invitation for Submissions

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?**

NetWaste advises this is a Regional response to the IPART Local Council Domestic Waste charges discussion paper and as a regional group representing 26 Councils West of the Blue Mountains, we feel the responses below are a fair representation of the opinions of those Councils in general to the questions posed by IPART.

From a regional perspective most Councils are not overly concerned as it is widely known the recycling sector is under significant strain following the introduction of the China Sword initiative in 2018. This has been acknowledged by both the NSW State Government and Federal Government following the recent COAG agreement on May 26th and the introduction of the Recycling and Waste Reduction bill 2020. The main concern is the ever-increasing gate fee for recyclables to be processed.

A rate peg can seriously limit the amount of waste diversion that can be effectively carried out by a Regional Council. There is a community expectation that Council need to actively participate in waste diversion activities and manage landfills to ever increasing environmental performance standards. This is especially evident, as regulation has increased along with the standard of rehabilitation expected for closed landfills. As infrastructure and methods improve so too does the amount of material which is actively diverted from landfill. This requires extensive funding to reach NSW State diversion targets in Municipal, Commercial, and Building and Demolition waste streams.

The main drivers in addition to standard inflation costs that have led to greater increased cost for Local Government Areas in providing waste services over the past years are as follows:

- Rising recycling processing costs (in the past 12 months, Councils have been subjected to increased processing costs of $105 per tonne)
- Rising landfill costs
- Increasing reporting requirements
- Greater requirements imposed by EPA – all these environmental enforcements cost money to enable compliance standards to be maintained otherwise the local Council risks penalty enforcement
- Rising resident expectations

Recycling in general has become increasingly expensive with increases in collection and processing fees. Councils still need to provide opportunities for recycling (regardless or rate base size) whilst covering the cost of high level offsite / resource recovery impacts.

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

Waste costs vary significantly across NSW due to different levels of service and different council needs. Councils can range in services from moderately to extensive due to access and demographic characteristics. Some Councils simply cannot offer curb side services due to either a limited rate base and funding, or they cannot collect curb side due to isolation from hard waste services. For most cases, rates reflect the service offered, and provide access to either a rural landfill, transfer station, or integrated landfill and have been determined through a local community consultation and strategic planning process.

There is not one size that fits all for the variations in regional Domestic Waste Charges. Services may be identical to another comparable Council, however the many variables held within the municipality dictates the charges. This may range from landfill life, drop off access, and rural tip consolidation, to extensive litter management and infrastructure requirements to include recycling. Regional Councils are not comparable to each other, and all have different features regarding expenditure, procurement, contract life cycles, and service variation. Current systems allow councils to adopt service levels to meet community expectations, and their willingness to pay.

Councils within NetWaste have their own financial modelling processes that cost recurrent and non-recurrent, operational, and capital expenditure, including rehabilitation, monitoring, and resource allocation for future needs. This is reflected in the financial Domestic Waste Management charging strategy.

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

Many regional council areas cannot outsource DWM services, nor have available companies in the region that offer DWM services. Isolation and cost are the main barriers to effective procurement, and a lack of an actual “end markets”. Councils have been attempting to investigate outsourcing opportunities however the lack of response to date may suggest that distance/location is the major barrier to effective procurement in regional areas (it is simply not worthwhile).
Collection and haulage of materials has sufficient competition in the market, however, there are insufficient options for sorting and processing of recycling, particularly for regional areas with few businesses tendering for regional recycling. Other barriers to effective procurement are from external forces such as the impacts of China Sword and the Export Ban. Councils do a good job in seeking best prices through tendering and joint procurement (NetWaste regional contracts). Without Government intervention in regard to policy and bringing the circular economy to regional areas, effective competition simply does not exist, with many Councils simply acting as price takers.

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

For the majority, most Councils effectively ring fence their overheads from general residential rates and overhead expenses. The overhead expenses are budgeted for and have separate ledger codes under domestic waste management and for the most part audited annually. As many regional

Councils have lower rate bases compared to their metro counterparts, the risk of cost shifting from residential rates to domestic waste charging would be low. Regional Councils allocate funds which they believe will provide the service within a reasonable and manageable capacity.

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

Providing pricing principles would be the most appropriate involvement with DWM charges if any. The extent of variances between Council waste operations including but not limited to outsourcing, resource recovery operations, distances, localities, and populations would make any decisions based on benchmarking or blanket regulation irrelevant.
If IPART were to provide greater oversight an appropriate change would be providing improved guidance to councils in regards to DWM charges and promoting an update of the "NSW Office of Local Government's Council Rating and Revenue Raising Manual" to mandate what items are to be set within DWM charges. This would allow councils to effectively meet the State and Federal waste reduction and resource recovery targets.

Facilitating in development of a better data presenting platform utilising data reported to EPA by LGAs could better inform residents, but this should not be done by increasing reporting requirements of councils. Apart from the selected option, IPART should audit overhead expenses (or all expenses) applied to DWM services to ensure compliance with LG Act. It is still exceedingly difficult to accurately audit "comparable" Councils within regional areas as they are so different.

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

Should IPART feel that their involvement in DWM charges is required, it should be considered that IPART regulation be applied in the same manner as the waste levy is applied to Councils within the waste levy boundary. Additionally, if IPART should implement a capping or maximum rate on DWM charges, consideration should be given to a minimum waste charge or percentage of the DWM to be allocated to resource recovery operations as to use the funds, rather than it be termed revenue.

IPART could consider greater education to residents enquiring on the ever-changing costs of DWC. This could include providing education of the real costs associated with responsible management of waste is crucial particularly as the nation transitions towards a domestic circular economy. Residents are largely ignorant of the full environmental, economic, and social costs of landfilling, recycling, and resource recovery. IPART should audit overhead expenses (or all expenses) applied to DWM services to ensure compliance with the Local Government Act.

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?

Consideration would need to be given to rate base/population, industry/commercial recycling operations availability, logistics regarding distances to major centres, and current waste management operations at a minimum. A benchmarking approach would be difficult to apply to regional councils as most Councils are not comparable.

Consideration of landfill diversion rates should be highly valued, even if it occurs at some inflated costs to councils as these councils are actively investing in the local circular economies in line with both State and Federal goals. Consideration into the size of the collection area, and collection density is necessary with less focus placed into frequency of services. Reduction in the frequency of general waste services is a known key driver in improving residential waste habits. It is known that providing a fortnightly general waste service, and weekly FOGO service will result in higher landfill diversion despite resident perception of a reduction in services.

Benchmarking would be a difficult process as IPART may not have the necessary waste and recycling expertise to determine if the DWM charge is proportional to the level of service offered. Comparing councils may simply highlight Councils that have higher service levels, and a community who considers that as important and are willing to pay for a particular service model.

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?**

It is unlikely that bench marking would be effective in price setting. The proposed approach would definitely lead to some community angst, and an opportunity to pressure councils to reduce DWM charges and consequently reduce service levels and resource recovery in order to appease the vocal minority within the community. Comparing councils may simply highlight some Councils that have higher service levels are willing to pay, however, are not truly comparable due to the differences and charges.

Concerns would be that the reporting for IPART is there already and would become a double up of some mandatory reporting requirements, so would be additional to the current reporting regime. NetWaste strongly suggest that if IPART require mandatory reporting, that this is conducted closely with EPA reporting to condense reporting requirements. Only minimal benefit for what would require extensive staff, or consultant time, would be potentially inadvertently increasing DWM charges through increased administration.

There is some merit in the benchmarking in regard to the transparency to community. There will always be elements within the community that believe they are over charged and/or not getting value for money regardless of what level rates are pegged at in any given year.

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

There does not appear to be enough information supplied to decide whether this would be preferable to the Office of Local Government (OLG) audits. As the IPART involvement has evolved out of the OLG no longer conducting the audits, the question of whether OLG plans on recommencing audits needs to be clarified. The proposed limited period response time of 2 years to rectify differences in charges would be difficult to achieve. Most Councils are bound by long term recycling and processing contracts of up to 10 years. If a discrepancy was found through the auditing process, then this would result in a significant cost to Council to dissolve an existing contract.

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?**

As with concerns over benchmarking stated previously, consideration needs to be given as to how accurate benchmarking can be demonstrated given the diversity in operations/rate base/locality to accurate record performance against peers. Most collection, haulage, and processing costs are subject to commercial confidentiality under contracts and cannot be published. These costs make up a large fraction of DWM charges and this information cannot be readily shared across Councils.

If an online data base was to be established what information could it contain without breaking confidentiality agreements with the Councils chosen contractors? And would it be of any actual use if the services differ between Councils? NetWaste believes there would be issues with a centralised database. The database could be used as a contractor reference rather than a comparative performance tool, which appears to be the case put forward by IPART.

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

The proposed pricing principles are valid regarding DWM charges covering the costs of the service only, and not supporting other services and functions. However, consideration needs to be given to allow for increasing DWM charges to not only cover the service cost only, but to financially support future improvements to the service (this may fall into other services). As there is such a variance between NetWaste Councils, some services may only need to cover the costs, whereas other need a full integrated approach in order to cover past, current, and future costs and services due to their Council size, and or current needs. Most Councils would agree in principle with the allocation of only incremental charges.

Within the NetWaste region many "other" functions and services are responsible for fully complimenting existing standard services and believes that social programs that drive waste reduction and better resource recovery behaviour, are crucial and must remain linked to waste management charges. These greatly help reduce contamination which intern helps maintain lower processing costs while assist in state and federal resource recovery targets.

Greater clarification on costs that should be allocated under the DWM charge should be provided to all councils through an updated rates and revenue guide. Further state government support should be provided to help minimise market domination and drive competition, assistance in contract generation, and reduction in contract length could aid this. The transparency of DWM charges may have negative impacts on progress towards diversion rates. This has high potential of raising conflict between residents who "Don't want to pay" for a recycling or organics service and council who must provide these programs. The mandating of these services is crucial in councils progressing towards both national and state recycling and landfill diversion targets.

It is unlikely that prices can be stabilised in the immediate term as the current market fluctuations have significant impact on DMW charges and are outside of council's control. Furthermore, use of reserves to limit fluctuations is only going to prevent passing on actual costs of services to residents while passing the financial burden of waste management onto future generations.

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

Pricing principles need to consider not only covering the cost of existing DWM services, but also future operations and operational improvements that will assist in the meeting of Waste Strategy Targets. Principles based on the state and national waste and resource recovery targets should be included in any pricing principles including:

- Access to reprocessing facilities and markets
- landfill diversion rates
- Contamination rates
- Waste per household generation
- Availability of landfill space

Triple bottom line assessments are needed, and financial costs should not be the only factor considered in assessment of options. User pays systems are less effective with unsupervised rural sites, and needs to be considered when factoring the DMW charge in regional areas.

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?**

NetWaste does not believe that listing contract tendered pricing would help drive more efficient services. The only costs that do not significantly fluctuate during most of these contracts are lift associated charges which only increase based on service users. The large bulk of these contracts will fluctuate based on market prices, and location of processing.

Additionally, many councils have had contract variations since there contract inception and as such originally tendered prices often do not reflect current costs to councils. If IPART were to provide a service that aided in improving councils procuring efficient services, they could look at mandating that MRFs, landfills and organic processing facilities have the per tonne charges listed publicly, rather than subject to commercial confidentiality.
If a database were established, it could be beneficial in procuring efficient services (providing sensitive information was not shared). Realistically sharing the contract amounts and itemised pricing does not seem feasible in the current climate. Key elements other than price could promote the functions of waste service contractors, and potentially allow for further contract collaboration between Councils.

Unfortunately, due to the lack of larger contractors operating in the NetWaste region, the reality of benchmarking a waste service as such seems unlikely. During the tender process some contractors are the sole service provider for the region with no other competition through the process.