

# Domestic waste management charges - Discussion Paper

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Question	Response
<b>Feedback and Submission Form</b>	
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?	
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?	
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?	
4. Do you have any other comments on councils' domestic waste management charges?	
5. Which Council do your comments relate to?	
Your submission for this review:	
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">IPART - DWM - Discussion Paper - OLG Response.pdf</a>
<b>Your Details</b>	
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
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Last Name	Gubb
Organisation Name	Office of Local Government
Position	Principal Performance Analyst
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy



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Sarah Gubb

Dr Paul Paterson  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K53  
HAYMARKET POST SHOP NSW 1240

20 October 2020

Dear Dr Paterson

I am writing in response to the Independent Pricing and Regulatory Tribunal's (IPART) invitation for comments on its Domestic Waste Management (DWM) Charges Discussion Paper.

The Office of Local Government (OLG) values the opportunity to respond to the above Discussion Paper and the following comments have been prepared in light of both that paper and information provided at IPART's recent webinar. I wish to acknowledge the work undertaken in considering the issues surrounding DWM charges. These charges, and the services that they support, form an important part of each council's contribution to the communities they serve.

In principle, we agree with the indicative view that a less prescriptive, more targeted approach that focuses on information and guidance, rather than the introduction of a capped increase, is appropriate. We also agree that councils would benefit from an appropriate lead time to comply with any new reporting requirements that may be recommended.

#### **Determining reasonable costs for local government**

IPART's preliminary finding is that DWM charges may not be delivering good value for ratepayers. IPART has noted that charges are increasing faster than the rate peg and inflation (123% of the rate peg and 200% of the Consumer Price Index (CPI) over six years), and that the number and type of DWM services provided varies significantly across councils. It is also noted that some councils are in surplus – that annual revenue exceeds spending on services.

OLG is of the view that it may be appropriate that councils deliver significantly different numbers and types of DWM services. While certain core services – like kerbside collection – are provided in most communities, the cost of delivering these services may vary for operational reasons. In addition, councils are encouraged to measure and respond to differing local needs and preferences for services under Integrated Planning and Reporting (IP&R). We also note that, as the NSW Government encourages councils to plan, cost and deliver services on a 'whole of lifecycle' basis, there may be reasonable justification for accumulating reserves, such as to provide for upcoming capital expenditure.



In the Discussion Paper, IPART appears to focus on the need for councils to levy the most efficient cost to ratepayers. While this is a key consideration, the *Local Government Act 1993* (Act) states that councils must calculate reasonable costs for DWM.

Given this, it would seem appropriate to assess costs in relation to a range of relevant principles, including efficiency, within a local government operating context. For example, councils choose whether to provide DWM services in-house or enter a contract for the service. In reaching this decision, councils in regional and rural areas may consider it imperative to secure local employment and consider the likelihood of procuring adequate services through local markets at a fair price.

Another key impact affecting the assessment of cost is that councils are also required to deliver DWM services to meet state level policy objectives and targets. Currently, the EPA within the Department of Planning, Industry and Environment is leading the development of a 20-Year Waste Strategy for NSW. This Strategy will provide a long-term strategic focus where communities, industry and all levels of government are working together to build resilient services and markets for waste resources. The focus for this strategy and accompanying policies is affordability, sustainability and reliability.

### **Proposed approach to pricing**

It is understood that the preliminary approach proposed by IPART is for light touch regulation to improve transparency and support good quality services at cost-reflective prices. Noting the above comments, OLG supports this view in principle.

IPART is seeking feedback on a proposed set of pricing principles, which would be applied by councils setting DWM charges. These are:

- charges should reflect a ‘user pays’ approach
  - charges should recover costs of service only
  - incremental cost allocation should be applied, and
  - social programs should be funded from general rates
- only reasonable cost categories should be in charges
- charges should reflect efficient costs
- charges should be transparent
  - to assist local councils
  - to assist customers, and
- charges should be as stable as possible over time.

It is our view that the final principles should relate as clearly as possible to the requirements of the Act – that is, calculation of reasonable costs under section 504 as well as meeting community needs and expectations as determined under IP&R. Importantly, the ‘service’ provided by councils extends beyond kerbside collection and waste facility maintenance to whole of lifecycle costs associated with domestic waste management, including reducing waste generation and increasing recycling.

### **Operational context and cost drivers**

The *Local Government Rating and Revenue Raising Manual* outlines a number of drivers that contribute to and are considered reasonable costs in delivering DWM services including, but not limited to:

- application of the waste levy
- mandatory pensioner rebates
- education programs
- waste audits
- clean up of illegal domestic waste dumping
- purchase and rehabilitation /restoration of land fill sites
- interest expense for capital purchases
- depreciation/amortisation
- costs of contamination of recyclables collected
- contractor or employee costs and overheads
- vehicle/trucks, and
- tip vouchers.

Relevantly, council costs and services also continue to be significantly impacted by market changes generated by the “China Sword” policy and resultant changes in Federal and NSW waste management requirements. Government policy changes through the *Waste Avoidance and Resource Recovery Act 2001*, waste levies, and the 20-year Waste Strategy in development continue to drive additional diversion, reuse and recycling and may continue to contribute to cost increases that are above inflation into the future.

It is OLG’s view that social programs such as pensioner concessions, education programs and audits, form part of the cost of providing DWM services. These activities form part of policy and reporting requirements imposed by the NSW Government. Excluding these expenses from the DWM reasonable costs calculation would effectively mean that ratepayers that do not access DWM would bear these costs.

Similarly, it is considered that DWM cost increases should not solely reflect the incremental costs of providing that service over and above councils’ core functions. The Act states that councils must levy a DWM charge to all parcels of land that have access to the service, and that cross subsidisation of the DWM fund must not occur. While the incremental cost approach may be appropriate for councils which have ready access to a market of external contractors, for councils that do not, this method may not adequately capture reasonable DWM costs for council.

### **Improving monitoring and reporting**

I note that IPART proposes to improve transparency around DWM costs and drive greater efficiencies by recommending an improved framework for data collection, monitoring and reporting, with a view to developing benchmarks.

OLG supports collection and reporting of relevant data as a means of improving council performance where it is clear that the tangible benefits of each reporting activity outweigh the costs of regulatory burden on councils. Councils provide significant data returns to the NSW EPA as part of the Waste and Resource Recovery Data Survey. This information could be used as part of any future benchmarking process and is available to councils and others.

I note that IPART is considering a centralised database of DWM service contracts to improve transparency. It is uncertain, in our view, that the benefits of this measure would outweigh the costs of providing and maintaining such a database, noting that councils currently report on contracts of over \$250,000 in their annual reports. Relative costs may not be comparable between councils, given local disparities in service scale and scope and differing cost drivers, such as distances to landfill.

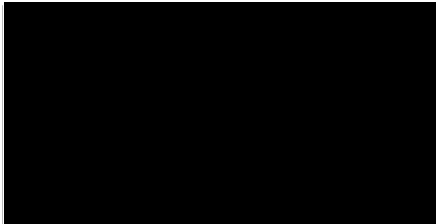
Further, it may not be possible to develop consistent service descriptors across all councils in setting prices for DWM services. To deliver tangible benefits, it is likely that councils would need to enter significant detail about each element of service contracts on an ongoing basis. Release of this data may breach commercial in confidence information and jeopardise future contract negotiations.

Given the above considerations, IPART may wish to consider alternative means to improve transparency such as auditing of reasonable costs at an individual council level. This may provide a more effective tool for councils to identify potential efficiencies and involve lower regulatory burden.

Thank you for the opportunity to provide a submission to IPART's review. If you have any queries, please do not hesitate to contact myself or Ms Sarah Gubb, Acting Principal Performance Analyst on [REDACTED] or by email to [REDACTED]

I look forward to continuing to work with you to secure an effective and efficient local government sector for the benefit of communities across NSW.

Yours sincerely



Chris Allen  
**Director, Sector Performance and Intervention**