

Domestic waste management charges - Discussion Paper

Submission date: 19 October 2020, 9:27AM

Receipt number: 76

Related form version: 5

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?	See attached
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?	See attached
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?	See attached
4. Do you have any other comments on councils' domestic waste management charges?	See attached
5. Which Council do your comments relate to?	Shoalhaven city Council
Your submission for this review:	
If you have attachments you would like to include with your submission, please attach them below.	IPART review of DWM Charges - submission.docx
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	David

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Organisation Name	Shoalhaven City Council
Position	Waste Services Manager
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

Shoalhaven City Council

IPART review of domestic waste management charges

List of Questions for response

IPART are seeking *general feedback* from stakeholders in response to the Discussion Paper, *as well as* responses to *specific* questions including:

1. Is it a concern that DWM charges appear to be rising faster than the rate peg?
No. Are there particular cost-drivers that may be contributing to this?
 - The EPA waste levy has in the past accelerated at a rate well above inflation, but has now been pegged to the CPI;
 - In the last 2 years there has been a significant (four-fold) increase in the cost of recycling;
 - Ratepayers expectations – our perception is that the generic ratepayer is expecting Council to solve the recycling crisis, which makes them feel like they are making a contribution, but are reluctant to improve their standards for separating recyclables and do not want to pay more to achieve this. There is still a belief in the community that Council makes money out of recycling, so they shouldn't have to pay;
 - Increased compliance requirements – the stringent controls on contamination in recyclables introduced post China sword requires a quantum increase in efforts to ensure compliance;
 - Increased landfill fees – also resulting from increased compliance requirements through the regulator;
 - Increased source separation will result in higher bin establishment costs and ongoing collection costs;
 - Move to alternative waste technologies to avoid landfill. The EPA has provided targets to increase diversion of waste from landfill. No matter how many small steps Council makes to increase diversion through the current system, the EPA targets can only be achieved through new or alternative treatment technologies and processing options. These options are generally high tech, high cost options which result in higher disposal/processing costs and often require a higher throughput of waste to make them financially viable.
 - The overall essence of the cost drivers is that the waste and recycling management and “chain” industries are in transition. The lack of sustainability requires a greater than rate pegging response to ensure both future environmental integrity and responsible waste and recyclables management.
 - The significant costs associated with the provision of new landfill cells. For example Council will need to spend in excess of \$3million on management plans and biodiversity offsets before the turning of the first sod for the new landfill.
2. To what extent does the variation in services and charges reflect differing service levels, and community expectations and preferences across different councils?
 - Most definitely this is a major factor in the total cost of providing the service. Other factors include differences in population / housing density, geographic

size of collection area, distances travelled for each collection and the scale (tonnes throughput) of the operation.

- There is a significant difference in Councils as well as differences in service levels, preferences and expectations. By way of example, while the Shoalhaven is not unique, it does have some unique characteristics:
 - The only regional Council that pays the Metropolitan levy
 - Significant holiday destination where locals expectations and preferences are “outnumbered” by visitors during large periods of the year
 - High visitations challenge both Council’s education programs, and who to target, as well as recycling opportunity and contamination particularly for the end of weekend or end of holiday clean outs.

3. Is there effective competition in the market for outsourced DWM services?

- Yes, the most recent tender in the Shoalhaven in late 2019 attracted 5 tenderers with 22 different options. All tenders were of high quality and any of the tenderers would have been very capable of doing the work. The selected tender price was 88% of the average of all tendered prices and 65% of the maximum price, but also 5% greater than the lowest price. Effective competition was in evidence and Council achieved best value in the process.
- On the other hand, the lack of industries in the post China Sword recyclables market draws a distinction between service provision competition and integrity of the post council’s recyclables market. The recyclables market is dominated by one major player.

4. Are there barriers to effective procurement?

- No, not for kerbside collection services. The tender documents are mostly based on an EPA template, so it is only the “out of the norm” requirements that will complicate it.

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

- Yes

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

- Domestic waste services cannot be funded from Council’s general or rates revenue, so there must be an ability to ensure that the funding is adequate. Placing an arbitrary rate peg may result in perverse outcomes with an “essential” service not being able to be provided by the end of the financial year.
- Council needs clear definitions of what can and cannot be included as acceptable in the calculation of the charge;
- Allowance for different service requirements or conditions. The current guidance is very Metro-centric, and the differing conditions in the regional areas need to be considered.
- Increased regulation creates increased costs.

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

- The previous method of Office of Local Government audits is considered to be an appropriate and effective method for keeping Councils to the “Reasonable cost”. The audits could be more focussed or targeted once a comparison / benchmarking system between like Councils has been established, and could possibly be undertaken less frequently.
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?
- There are 2 components that should be benchmarked separately:
 - the actual kerbside collection and
 - the additional activities, such as hard waste collection, vouchers, education, green waste drop off, landfills or transfer stations
 - Benchmarking the kerbside collection component may be effective and simple. The bin type and service frequency should result in fairly consistent pricing across the board, allowing for some distance, population density and terrain variations. However, there are exceptions, for example Armidale City’s container kerbside collection in crates effectively eliminates contamination with a kerbside sort but is a manual and expensive process. Benchmarking in this situation would be meaningless.
 - Benchmarking of the bulky waste / hard waste component is a lot more difficult with each Council doing something different and achieving markedly different results in terms of recycling. This may include scheduled or on call pick-ups, no-charge or subsidised pickups, vouchers and the provision of drop off depots. There will not be a consistent measure across the board and this benchmarking would be very difficult to achieve in a meaningful way.
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?
- It is critical to understand what components of the total service are classified as “domestic”, especially as each Council has such a different approach to DWM. If this can be set out, then developing a reporting and monitoring approach with pricing principles has great merit. The benchmarking component, however, will find great difficulty in comparing the nuances of the different services (ref Q8).
 - A reporting and monitoring approach with pricing principles is likely to be an effective approach, although benchmarking is unlikely to be as effective and should be used with caution (ref Q8).
10. Would IPART’s proposed approach be preferable to audits of local councils’ DWM charges by OLG?
- The audits by OLG were good. However, for all concerned, a clear methodology for calculating the DWM charges may negate the need for an annual audit and instead have an audit every second or third year.
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?

- Again, the need to compare systems on a like for like basis means that too much discretion is required in the use of a centralised database and the interpretation of information or data may become too subjective.

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

- Yes – the only addition may be to incorporate an allowance for times of disaster. Following recent disasters (bushfires, windstorms and floods) Council was expected to provide free tipping to the affected communities. There should be an allowance/fund in the annual budgets (funded from the DWM charge) to cover the cost of “free tipping” in these disaster situations.

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

- The whole of the Domestic Waste Charge should reflect the whole of Domestic Waste and recycling generation. Council provides ten waste and recycling drop off points or transfer stations around the LGA, and the domestic waste component for the operation of these facilities should be incorporated into the DWC. A calculation of the subsidised costs of these operations (ie cost less gate fee) could be incorporated.

14. Could a centralised database and display of key elements of all successful DWM service contracts (e.g. name of tenderer, service provided and contract amount) assist councils in procuring efficient services? If not, why not?

- No. This would be additional effort for no benefit, as all waste collection contracts are not the same.