

# 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 Submission - Review of DWMC - Wollondilly Shire Council.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
First Name	Paul

Last Name	Macdonald
Organisation Name	Wollondilly Shire Council
Position	Waste Projects Officer
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

Our Reference: TRIM 6230#3100

**Review of domestic waste management charges**

Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, Sydney NSW 1240

20 October 2020

Dear Sir/Madam,

**RESPONSE TO DISCUSSION PAPER ON REVIEW OF DOMESTIC WASTE MANAGEMENT CHARGES**

Wollondilly Shire Council is pleased to be provided the opportunity to comment on the IPART's Domestic Waste Management Charges (DWM) Discussion Paper and specifically the questions formally posed in the 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?**

This is not the case for Wollondilly Shire Council. Over the last five years the rate peg has increased by an average of 2.28% per year, while the DWM charge for the most popular configuration of bins has increased by an average of 2.26% over the same period.

Further, since Section 504 of the Local Government Act prohibits the application of "ordinary rate" to the provision of domestic waste services, the DWM charges must cover the entirety of the costs of provision, excluding any commercial waste fees or non-rate income that may be available for cross subsidising. Accordingly, councils have to increase their individual DWM fees to fully fund the service.

Given that it has been strongly advocated for some years that the rate peg is inadequate, it is unsurprising that some councils' DWM charges may be increasing at a higher rate than the rate peg. According to the Australian Local Government Association:

*NSW's rate peg is being blamed for councils not having enough money to provide their rapidly growing communities with new infrastructure.*

*The State is said to have foregone about \$15 billion in rates compared with Victoria (which does not cap rates) since 2000, and the NSW Productivity Commission says that except for raising user charges or extracting developer contributions, councils don't have alternative funding sources needed to service higher populations or maintain and operate a larger capital stock.*

*"This leaves councils in a position where they may need to lower the services to their existing ratepayers to service the needs of new residents," the (Productivity) Commission says.*

The DWM is affected by a number of factors that are outside councils' control, including but not limited to:

- Increasing cost of waste disposal due to competition for diminishing access to waste infrastructure in and around the Sydney metropolitan area;
- Increasing costs of recyclables disposal due to unpredictable changes in commodities markets for recyclable materials;
- Increasing costs of recyclables disposal due to diminishing markets for recovered material, in particular glass;
- Increasing costs due to reduced competition in the recyclables processing market;
- Increasing costs due to regulatory and on-shore market uncertainty into the future (e.g. imminent bans on the export of recyclable materials, little advancement to date in development of an on-shore 'circular economy', and the currently misaligned timing of the two);
- The cost of risk allocation: a council will draft a domestic waste processing contract in such a way that it exposes its ratepayers to an acceptable level of financial risk. In response, tenderers will inevitably offset their risk exposure by tendering a higher gate fee, or not tender at all if it considers that the price necessary to offset the risk will be so high that the council will be unlikely to award a contract. With the industry having been so significantly affected by the NSW EPA's revocation of the MWOO Order and Exemption, it is likely that key industry players will in future either inflate their prices even further to offset the risk allocation, or simply won't tender at all, thus reducing competition in the market. It would be irresponsible for councils to be tempted to pursue lower gate fees by amending their draft contract documents in such a way that shifts the financial risk back to the ratepayer to an unacceptable degree.

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

In respect of domestic waste collection, most councils provide a range of bin sizes (or multiple bins of the same size) to enable ratepayers to tailor services to their needs, which are commonly driven by family size.

Commonly, red-lid bin sizes will be either 80, 120/140, or 240 litres and charges are scaled accordingly. While this arrangement works well for owner-occupiers, it does not always meet the needs of tenants. As DWM services are charged to the property owner, it is not uncommon for the landlord to minimise their overheads by providing a smaller red-lid bin and declining the request of a tenant with a larger family to provide a larger bin. In these cases, while the council may be sympathetic with the tenant, it is powerless to intervene. In essence, there are circumstances beyond councils' control that limit them from providing a variation of services to meet community expectations. This is particularly so for councils with larger numbers of tenanted properties.

In addition to bins sizes, there is often community resistance to changes in servicing levels, or perceived changes, which may reduce cost structures resulting in political pressures on councillors and ultimately a reluctance to introduce reduced cost services such as FOGO or fortnightly emptying of red-lid bins. Reducing red-lid bin servicing frequency being a particularly challenging point due to the "stinking" bins in the hot Australian summers and the challenges around disposal of soiled nappies and sanitary products, despite a reduced

frequency often being supported by special servicing provisions on application. Noting that Wollondilly currently provides a fortnightly red-lid bin service.

Provision of a variation of services to reflect community expectations is a vexed issue. The NSW Government has set targets for the diversion of domestic waste from landfill. While there is no statutory obligation on councils, most have embraced this aspiration as a priority.

Landfill diversion rates for yellow-lid and green-lid bin contents are very high; however, while ever the contents of the red-lid bin are landfilled in their entirety, the NSW Government's landfill diversion target will never be met. Councils can only hope to assist the NSW Government to meet its target by arranging for the contents of the red-lid bin to be processed via advanced waste processing technologies. These technologies may be more expensive and pose a higher financial, operational and regulatory risk than landfilling.

Council acknowledges the IPART's comment during a recent webinar that it would not interfere with a council that has higher DWM charges if it could demonstrate that its residents were prepared to pay a higher cost for a more environmentally sustainable outcome.

Be that as it may, a council is in an almost impossible situation if its community expresses a preference for a lower cost option that is characterised by a higher landfill rate. In this scenario, Council seeks clarification on whether the IPART will expect councils to prioritise meeting the NSW Government's landfill diversion target over the will of their communities if the two are at odds.

### **3. A) Is there effective competition in the market for outsourced DWM services?**

To analyse this question, there is a need to consider collection and processing/disposal separately, and even with the latter, to consider garbage, commingled recyclables and garden organics separately.

#### Collection:

Council considers that there is adequate competition in the domestic waste collection market in the Sydney metropolitan area and immediately surrounding areas: there are at least six companies of moderate to large size that are active in this market (SUEZ, Veolia, JJ Richards, Remondis, Cleanaway, URM).

There may be inadequate competition in some rural areas, at least partly due to the cost of procuring or renting land, obtaining approvals and establishing infrastructure such as a depot, mechanical workshop, office buildings, truck wash facility, grease arrestors, etc. To stimulate competition in rural areas, councils may benefit from building and owning this infrastructure and making it available for use by the contractor. This would create a more 'level playing field' and would remove an advantage that an incumbent contractor has if it already has the infrastructure in place in or near the LGA. For many years Campbelltown City Council has provided a Council-owned depot, mechanical workshop, wash bay, suite of offices, meeting rooms and ablution facilities for use by the contractor for a nominal rental, and it is understood that this arrangement works extremely well.

#### Processing/Disposal:

The NSW Government's sale of the entirety of its active waste infrastructure to one single buyer (SUEZ) in 2011 placed SUEZ in a powerful position in the market, along with Veolia which was also strongly placed at the time. SUEZ and Veolia remain the only two operators of landfills that are practicably able to accept domestic 'red-lid' waste generated in and

around the Sydney metropolitan area. As any advanced waste processing methodology will produce a certain amount of residual waste, companies with direct interests in landfill infrastructure will be at a distinct financial advantage when developing advanced waste processing technologies, over those without landfill infrastructure.

Recent news of Veolia's possible acquisition of SUEZ creates even greater concern around this matter.

There are indications that other players are emerging in the advanced waste technology market, for example:

- Cleanaway's planned development application for a energy-from-waste plant in western Sydney;
- Re.Group's partnership with EnergyAustralia to progress an energy recovery project at the Mount Piper power station using refuse-derived fuel; and
- Shoalhaven City Council's recently awarded contract to Bioelektra Group to build and operate an advanced waste processing facility.

Council considers that it may be still some time before there is a suitable number of players in the advanced processing market for red-lid waste, and it remains an extremely serious concern that access to landfill space in the Sydney metropolitan area and surrounding areas continues a rapid contraction.

It is understood in the local government sector that competition in the commingled recyclables processing market is already very limited and appears to be diminishing even further. The likely outcome of reduced players in this market will be that prices will increase. This is yet another factor over which councils have no control and supports the argument against arbitrary pegging of DWM charges.

Council considers that in the Sydney Metropolitan area and outlying areas there is an adequate number of garden organics processing players in the market.

The NSW Government, through the EPA, is placing heavy reliance on FOGO as a means of reaching the NSW Government's landfill diversion target for domestic waste. One of Local Government's most eagerly awaited aspects of the 20-Year Waste Strategy is whether FOGO will be mandated or heavily incentivised. Unfortunately, there appears to be a failure to acknowledge the two major challenges faced by FOGO: contamination and the rate of kitchen organics transfer from the red-lid bin to the green-lid bin.

Contamination is likely to significantly impact gate fee costs through penalty clauses in FOGO-processing contracts. Caution will need to be exercised by councils when considering commercial agreements for the receipt of FOGO. While tendered gate fees may appear attractive at first glance, they will need to be calculated in the context of additional costs for the likely contamination and transfer rates, particularly in the early years of FOGO implementation.

### **3. B) Are there barriers to effective procurement?**

The capital cost of waste processing infrastructure, particularly in or near the Sydney metropolitan area, is very significant. Until the cost of an existing or new waste processing facility is amortised, or unless the contractor has calculated amortisation into current contracts, any new domestic waste processing contracts will include the cost of amortisation. In addition, the lower the number of tonnes that a facility processes, the higher is the cost per tonne to process. To minimise tendered gate fees, councils are able to offer two key features in their contracts:

- A significant contract term (typically 15-20 years), and
- Offering guaranteed large tonnage inputs by tendering as a joint group of councils.

Engaging in long-term joint contracts for waste processing and disposal services may deliver cost savings and risk dilution for councils, especially if the contract will require new waste processing infrastructure. Due to the current shortage of waste infrastructure in and around the Sydney metropolitan area and councils' aspirations towards the NSW Government's target for increased diversion of domestic waste from landfill, it is likely that most new waste processing contracts for 'red-lid' waste will require the construction of expensive infrastructure to operate advanced waste processing technologies, and the councils' commitment to long term contracts in order to minimise gate fees.

There are; however, significant disadvantages to this approach:

The level of risk allocation demanded by the waste industry will feature prominently in any future contract negotiations following the NSW EPA's sudden revocation of the MWOO Order and Exemption. The MWOO revocation highlighted the commercial dangers of regulatory uncertainty and unpredictability in the waste industry. In preparing a tender specification and draft contract a responsible council quite rightly endeavours to protect its ratepayers from unacceptable financial risk exposure by ensuring that the risk allocation is balanced towards the contractor. However in response to these proposed contract terms there are two likely outcomes:

- Waste companies will tender prices to reflect the offset of the financial risk allocation, or
- Waste companies' financiers will not be prepared to invest in the projects due to the risk exposure, resulting in a reduced number of tenderers or an over-representation of tenderers that are very large companies that may self-fund the project.

Even if a council were prepared to share financial risk, one of the most significant exposures is the almost inevitable 'change of law' clause in a contract. Consider the following scenario which is not beyond the realms of possibility:

A partnership of councils signs a 20-year contract on the conditions that they convert to FOGO collection and the contractor constructs and operates a FOGO processing facility. After four years of the contract term, in a similar fashion to the MWOO scenario, the NSW EPA receives negative results from longitudinal studies on the land application of FOGO outputs, and consequently revokes the FOGO Order and Exemption.

In this scenario the council(s) and the contractor are left with the arduous and potentially litigious task of negotiating terms for the variation of the contract. It is extremely difficult to quantify and validate the additional costs incurred by the contractor.

Another disadvantage of a long-term contract is that the longer the contract term, the higher the probability that a variation circumstance will be triggered, particularly due to changes in laws or Government policies.

By engaging in a long-term contract, a council becomes 'locked in' to a technology that may be superseded by a lower cost technology that becomes available prior to the end of the contract. In such circumstances, it is likely that that council would be identified by the IPART as and 'outlier' when its DWM charges are benchmarked against councils that have awarded more recent, lower cost contracts. While it has been suggested that councils build into their contracts provisions for the contractor to adopt newer technologies as they are developed during the contract term that may result in lower costs, the fact is that more contemporary technologies are likely to require significant costs to upgrade the facility, rendering this notion as somewhat fanciful.

Council considers that there are limited opportunities for cost savings by tendering jointly for domestic waste collection contracts, as there are fewer similar economies of scale compared with domestic waste processing.

It is no coincidence that most domestic waste collection contracts require that the collection vehicles be used only for services provided to that council, and that the vehicles prominently display the council's name, logo, etc. These arrangements reduce the risk of the contractor utilising the vehicles for services outside the contract and disposing of the materials on the council's account. This practice is especially tempting for the contractor where it may have contracts with councils that are in close proximity and is experiencing vehicle breakdown, staff shortage or other operational problems. While on-board technology such as geofencing is now available to discourage this practice, few councils are likely to have the resources to effectively monitor geofencing data without imposing another cost on their community.

As acknowledged by the IPART, pricing confidentiality in councils' contracts imposes barriers to market testing. Council seeks the IPART's view on what mechanism councils with in-house provision of DWM services should follow to 'test the market' as discussed on page 20 of the Discussion Paper.

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

Council accounts for domestic waste management services separately from other costs within the organisation and appropriately applies an overhead allocation to recognise the shared costs of the administration.

This is the same approach that is applied to other aspects of the organisation's services and ensures that the cost to provide the service can be adequately determined and used in business decision making. All Councils are subject to annual audit of their financial statements and current reporting requirements for domestic waste management costs in the financial statements provides for transparency, visibility and comparison to other Councils.

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

The costs involved in delivering domestic waste services are different for almost every council and; therefore, an arbitrary 'cookie-cutter' approach to restricting DWM charges is inappropriate.

Council considers that there are two major considerations when developing a methodology for oversight of DWM charges:

- Each council must ensure that it develops and maintains a robust methodology for calculating its DWM charges, which would withstand audit scrutiny. There may be some benefit in the development of standardised templates for calculating DWM charges for use by all councils. It is anticipated that two templates may be appropriate: one for councils that engage day labour and council-owned assets for collection, and one for councils that outsource their collection services.
- The Discussion Paper indicates that some councils may be claiming inflated amounts for overhead expenses. There is a considerable amount of variation between councils as a result of differing service offerings and differing community expectations that would make the setting of a set overhead rate inequitable.



However, it may be beneficial for a set of standard indicators to be developed which could be utilised by Councils for benchmarking and identify improvement opportunities. Of course, this may not result in any change to overhead allocation methods or values and could result in councils identifying areas of indirect cost that they may not have been attributing to DWM.

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

This question has been addressed in the response to question 5. Council reiterates its strong view that a 'one size fits all' approach is inappropriate, and that whether a council's DWM charges are appropriate is best determined by review of that council's methodology for calculating its DWM charges.

**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?**

Council is already accountable for reporting on each of its services, including Domestic Waste Management, via its financial statements and the various components of the Integrated Performance and Reporting (IP&R) framework. Council is of the view that this is the most efficient and effective mechanism for reporting so as to avoid adding further administrative costs to the organisation and hence the community.

If additional reporting were to be introduced for DWM services in particular this could result in increases to the overhead costs to be apportioned to the DWM service.

**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?**

For reasons stated above, Council believes there is no merit in developing a benchmarking approach for setting DWM charges. The factors that contribute to the cost of service delivery are unique to each council and implementing a benchmarked approach may lead to negative ramifications for procurement processes.

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

Section 496(2)(c) of the NSW Local Government Act, 1993 already provides that the amount of the annual charge is limited to recovering the cost of providing the service. Section 504(3) provides that income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to Council of providing those services. Section 508 already gives the Minister power to specify an amount by which a council may increase an annual charge for domestic waste management services and can impose conditions with respect to the variation of that percentage.

If reasonable cost audits were still performed by the Office of Local Government, councils not complying with these requirements could be issued orders by the Minister individually under Section 508 and there would be no need for an arbitrary approach to be taken by the IPART. Adding an additional layer of auditing as has occurred with the audit of Council

financial statements is not been seen to add value and has shown to increase the organisation's overhead costs, which has an impact on ratepayers.

**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?**

Council is concerned by the inference of this question, that the difference between two council's DWM charges is linked to 'council performance'. The difference between the councils' DWM charges is less likely to be driven by 'council performance' and more likely to be linked to a raft of factors and cost inputs beyond councils' control, including but not limited to: the geographic spread of the LGA, population size, proximity to processing and disposal infrastructure, whether the council is prioritising cost over environmental outcome or vice versa, level of competition in the domestic waste collection, processing and disposal market, and whether a council is in the metropolitan levy area, regional levy area or outside the levy areas.

Without comprehensive understanding of these and other influences on the costs to deliver services, the public's comparison of one council's DWM charges against that of another would be meaningless and contribute to ill-informed "debate" and potentially community pressure to reduce costs without understanding the consequent reductions in service level or environmental outcomes.

If the IPART decided to establish a database for public access, there would be a need to establish a methodology for placing councils into peer groups. Again because of the diversity of services provided, demographics etc, this would be an extremely difficult and potentially impractical objective.

Currently Council's DWM charges, along with all other fees and charges, are freely available on Council's website. This in effect means that if community members wanted to make such comparison they can do so without additional reporting costs being placed on councils, the IPART or the OLG. Furthermore Council has not had any indication that the community is unhappy with current charges or service levels so there would not appear to be sufficient call for the suggested reporting.

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

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

Council largely agrees with the IPART's proposed pricing principles, with some reservations.

Reasonable Costs:

While the IPART suggests that education, inspection and enforcement funded from *Waste Less Recycle More* program grants should be deducted from the reasonable cost of providing DWM service, it is unclear whether the IPART is of the view that education is considered to be a reasonable cost. If it is considered to be a reasonable cost, will the IPART place a prescribed amount on how much a council may allocate to waste education? If so, will a formula be applied arbitrarily to all councils?

Given the EPA's role in providing overall waste management direction for the State and the economies of scale that can be brought to bear for broad based community education,

inspection and even potentially enforcement it is not possible for a Council to estimate a reasonable cost for inclusion in its DWM cost structure. As a result and due to the restricted budget capacity of most councils, a number of the programmes are only undertaken when appropriate funding is awarded under the *Waste Less Recycle More* program.

In the case of Wollondilly, smaller scale education programmes around local service provision and performance measurement or assurance programmes such as bin content audits are already funded through the DWM budget process.

There is little doubt that the NSW Government's 20-Year Waste Strategy will either mandate or strongly incentivise councils' adoption of FOGO collections and processing. It is widely recognised that the success of FOGO will rely heavily on an intense and sustained community education campaign, to achieve effective and economical transfer rates, and to minimise contamination. An effective waste education program will be instrumental in driving down the cost of waste management services, and should therefore be funded from the *Waste Less Recycle More* program or at most considered a reasonable cost when calculating DWM charges.

Should the IPART dictate that waste education not be *reasonable cost* and hence not recoverable through waste charges or the *Waste Less Recycle More* program, to continue it would have to be funded from general revenue in competition with councils' other budgetary priorities and may be consequently eroded over time. This may result in higher contamination in FOGO bins, which will result in higher disposal costs, leading to increased DWM charges. Council strongly advocates that waste education is an integral component of the efficient and effective delivery of domestic waste management services, and therefore should be funded through DWM charges.

In placing reliance on the *Waste Less Recycle More* program for waste education funding, it should be noted that this program prioritises not only education on critical issues such as contamination in household bins. The program's priorities are far broader and include illegal dumping prevention and enforcement, household problem wastes, infrastructure, litter prevention and enforcement, business recycling, asbestos management, compliance programs, landfill environmental improvement, etc. Further, the *Waste Less Recycle More* program is due to expire in 2021 and to date the NSW Government has made no announcement regarding the program's extension or replacement with a similar funding program.

#### Extent of Application of User-Pay Principles:

Council seeks clarification on the extent to which the IPART proposes to apply a 'user pay' approach, and suggests that there may be challenges to such an approach in respect of some services. For example, most councils provide a number of kerbside clean-ups per property per year. Some councils provide clean-ups on an 'on-call' basis, while others provide scheduled clean-ups on a zoned basis across the LGA at regular intervals during the year. Obviously, not every residential property uses its full entitlement of clean-ups per year. Councils budget on historic numbers of properties and tonnages, and the total cost of collection and disposal of kerbside clean-ups is spread across all properties that pay an annual DWM charge. Council seeks clarification on whether the IPART proposes that delivery of kerbside clean-ups be changed to a strictly user-pay system i.e. where each household pays only for the clean-up services it uses. If so, such a system would require a major overhaul to current service structures. Users of the services would be required to pay a fee in advance for each occasion that they require the service. For residents on the lower end of the socio-economic scale, purchasing kerbside clean-ups may become a low or even non-existent priority. As a consequence, there may be a reduced number of bookings across the LGA, and the number of incidents and tonnages of illegal dumping may increase. Depending on if or when this user-pay arrangement were mandated by the IPART, significant variations to current collection contracts would be required, with

potentially increased costs. Variations may also be required to processing/disposal contracts: in some contracts price variations are triggered by a change to collection systems. As the total number of booked clean-ups would most likely decrease under this system, tonnages would decrease, almost certainly triggering the contractor's demand for contract variation. Further, a reduction in the number of booked clean-ups is likely to result in an increase in the cost per clean-up for those residents who do seek this service, further reducing the likelihood of residents at the lower end of the socio-economic scale seeking the service.

The very nature of domestic waste collection and disposal is a barrier to a true 'user pay' system. In respect of the three-bin system, property owners are charged on the volume of waste they dispose, yet councils are charged by weight. A family that diligently home composts its food waste, or dries out lawn clippings before placing them in the green-lid bin, or makes use of the Container Deposit Scheme, will typically place less weight on the kerbside and therefore cost the council less in disposal fees. Yet they pay the same amount as a property that presents heavier volumes for collection. A pay-by-weight system for bins is simply impractical for a number of reasons, including but not limited to:

- An account would need to be set up and maintained for every property, with invoices generated regularly due to the variable weights produced by residents from week to week;
- As bins are placed in the public domain for collection, there is likelihood of a large number of invoicing disputes as residents will allege addition of waste in their bins by unknown persons between the time the bins were presented and the time they were emptied;
- A user-pay principle cannot apply to multi-dwelling properties where bins are shared between multiple dwellings.

Similarly, the DWM charge includes access to a number of clean-ups per year, each of a prescribed volume. Yet as previously mentioned, councils are charged by weight. Therefore one property's heavier clean-up will incur a greater expense to Council than a neighbouring property's lighter clean-up. A true user-pay system would apply different charges for the clean-up service to each of these properties. In addition, Wollondilly Shire Council covers a very large geographic area. The cost of collection from an outlying property is more expensive than the cost of collection from a property closer to the disposal facility. A strict user-pay system would have the outlying property paying a higher fee for a kerbside clean-up.

Council believes the above scenarios demonstrate a dilemma for the IPART: does it allow a system where all residential properties are charged a lower amount for the DWM services and user-pay principles are applied only where economical and practical (eg. with the current ranges of bin sizes or numbers most councils currently provide), or does it enforce a strict user-pay principle, the more detailed, the more prohibitive the cost and the more impractical to deliver?

As DWM services are charged to property owners, tenants are not necessarily provided an opportunity to 'efficiently use DWM services over time (Discussion Paper, p. 16)'. As explained elsewhere in this response, it is not uncommon for a landlord to refuse a tenant's request for a larger red-lid bin to meet the needs of their family. The administration of DWM charges pose challenges for situations where properties are rented, as both the property owner (who pays for the services) and the tenant (who uses the services) are the customers of DWM service from two different perspectives.

In recent years the Macarthur group of councils was involved in a legal dispute with its waste disposal contractor. The councils lost the case in the NSW Supreme Court, however the NSW Court of Appeal subsequently overturned the ruling in the councils' favour. Even with costs awarded to the councils, the councils did not receive 100% of the costs, and

advice received at the time confirmed that this is a common outcome when costs are awarded. The outcome of this matter was a great relief for the councils, as a decision in the contractor's favour would have resulted in additional contract costs by many millions of dollars over the remainder of the contract term. Had this matter been awarded in the contractor's favour (and of course legal costs awarded to the contractor), Council would be interested to know whether the IPART would accept as reasonable costs, not only the additional costs of the contract, but the very substantial legal costs.

Council notes the IPART's view that voluntary pension rebates should be funded through general revenue. Wollondilly Shire Council has offered eligible pensioners a voluntary rebate of 50% reduction in the core domestic waste charge for many years. The cost of providing this rebate is almost \$600,000 per year and is currently factored in when setting DWM charges. Should council be required to fund this from general revenue it would have a significant impact on Council's budget and its ability to continue this rebate.

Many councils provide enhanced services that are funded by DWM charges. Some examples include:

- |                        |  |
|------------------------|--|
| Infirm Services:       | Where a resident lives alone and is frail-aged and/or suffers a disability, a council will arrange for its contractor to enter the premises, take the bins to the truck, empty them and return them to the resident's premises. In many cases, while the contractor charges the council a fee for this service, the resident is not charged. |
| Sharps Drop-Off:       | To reduce the number of dangerous medical sharps entering the kerbside waste stream, many councils provide a free medical sharps drop-off service. The service is commonly used by residents suffering diabetes or other conditions requiring the regular use and disposal of sharps.  |
| Residents on Dialysis: | Residents on a home dialysis program typically generate a very significant amount of packaging waste. In these circumstances the resident may be provided an additional commingled recycling bin at a reduced charge or no charge.   |
| Mental Health:         | Some councils work closely with local mental health teams to provide additional kerbside clean-up services to residents suffering from mental health issues that result in excessive hoarding. The residents are not charged for this service.   |

Council seeks clarification on how the IPART will view funding of these and other similar benevolent services through DWM charges.

**13. 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?**

'Contract amount' is assumed to be the total contract value. While this information would satisfy idle curiosity, it would be of little practical use, as it is difficult to apply 'apples-to-apples' comparisons between contracts.

Most contracts are unit based and the "contract amount" would only be based on the assumed quantities used in the comparison of tenders and may not have any relationship to the actual costs incurred or, depending on the structure of the cost adjustment clauses of

the contract, an accurate estimate of the actual costs expected to be incurred over the life of the contract.

It may be useful for councils to have access to a centralised database showing expiry dates for both collection and processing/disposal contracts. In respect of collection contracts, there is a finite number of suppliers in the Australian market for waste compactor bodies. Depending on its size, a council generally needs to award a collection contract 9-12 months prior to the commencement date of the contract, to enable sufficient time for compactor bodies to be built, fitted to cab-chassis and delivered. Having access to the contract cycle, particularly for larger contracts, would enable councils to stagger their procurement cycle to ensure collection vehicles will be ready for commencement of the contract.

Councils' access to a centralised database with contract commencement and expiry dates, current status of major waste procurement projects and their anticipated tender advertising dates, would provide the greatest potential for competition in the procurement process. Waste companies have finite human and financial resources to prepare tenders. They are sometimes in the unfortunate position of not being able to respond to all large tenders that are advertised at approximately the same time. Councils' access to a centralised database would enable them to stagger their procurement cycle to attract the highest number of tenders.

Council thanks the IPART for the opportunity to provide comment on its Discussion Paper. Should you require further information or have further inquiries, please contact Mr Paul Macdonald, Waste Projects Officer:

Telephone:

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Yours faithfully

  
Michael Malone  
**Director**  
**INFRASTRUCTURE AND ENVIRONMENT**