

Contract 706 – Waste Disposal User Charge Increases

Meeting: Kaipara District Council
Date of meeting: 27 July 2022
Reporting officer: Donna Powell, Infrastructure Operations Team Leader

Purpose | Ngā whāinga

To seek approval to increase user charges for the general refuse disposal which includes general refuse, recycling bags and gate charges.

Executive summary | Whakarāpopototanga

The Dargaville Transfer Station is operated by Kaipara Refuse Ltd under Kaipara District Council (KDC) Contract 706 “Eastern and Western Waste and Recyclables Collection, Disposal and Transfer Station Operations”. Kaipara Refuse Ltd have proposed to raise the disposal rates for gate charges for users to accommodate the impacts of recent increases across the various activities within the Consumer Price Index (CPI), including increases in the Waste Levy and the Governments Emissions Trading Scheme (ETS).

The proposed increases for gate charges disposal are from \$61 to \$65 per m³ and \$3.50 to \$3.60 per general refuse bag. The proposed increases have no effect on Council budgets as these charges are paid directly by the customer to Kaipara Refuse.

Recommendation | Ngā tūtohunga

That Kaipara District Council:

- a) Approves the Dargaville Transfer Station user gate charges and general refuse bag price increases below, effective 1 July 2022:

General Refuse	Price (GST inclusive)
User gate charge per m ³	\$65.00 per m ³ based on estimated volume
User general refuse (blue) bag price	\$3.60 per bag

Context | Horopaki

Kaipara Refuse Ltd are incurring increased costs in landfill disposal and transfer station fees at Puwera Landfill and Hakaru Transfer Station, both operated by Northland Waste.

These price rises are due to increases in the Consumer Price Index (CPI), fuel costs, Emissions Trading Scheme (ETS) and the Waste Levy payable to the Government per tonne of refuse disposed to landfill.

This is a user pays service and based on CPI calculation only, the gate charge for general refuse will increase from \$58.00 to \$61.00 per cubic metre, general refuse bags will increase from \$3.35 to \$3.50 per bag and recycling bags will increase from \$1.50 to \$1.70. These increases do not require Council approval.

However, there are additional increases above CPI that have now been passed onto the Contractor. Therefore, Kaipara Refuse Ltd propose additional increases above CPI adjusted rates to \$3.60 per

general refuse bag and \$65 per m³ for disposal gate charges. Under Contract 706 any price increases additional to CPI increases require Council approval.

Discussion | Ngā kōrerorero

It is difficult to compare Kaipara District's disposal costs with other districts as the majority are included within the general rates. However, as a comparison, Whangarei District Council disposal charge are \$225 per tonne and general refuse bag is \$3.50, compared to \$182 per tonne for disposal and \$3.60 for a refuse bag for Kaipara District Council.

Influences over and above CPI of the cost of Refuse Disposal

Waste Levy – The Waste levy was set in 2009 at \$10 per tonne of waste disposed to landfill. In 2021 the government agreed to start expanding the scheme over the period 2021 - 24 from \$10 per tonne to \$60 per tonne.

Emission Trading Scheme (ETS) – The NZ ETS is one of the Government's tools for reducing greenhouse gas emission. It assists New Zealand in meeting the international targets. The Government has committed to and places a price on emissions by charging certain sectors of the economy for the greenhouse gases they emit, through purchasing carbon credits. The Government sets the cost of purchasing carbon credits currently at \$38.50 per tonne. This cost is paid by the landfill owner and is reflected in the increased disposal costs.

Costs over and above CPI – CPI calculations are based on transportation and labour and has increased by 14.2% from the previous period (2021-2022). The cost of fuel has increased by 100% during this period, these increases along with the Waste Levy and ETS have been reflected in the Northland Waste increases in disposal costs and is payable by Kaipara Refuse Ltd.

Options

The following options are considered:

Option A: recommended - Increase the user gate charges for general refuse from \$61 to \$65 per m³ and bag charges for general refuse kerbside collections from \$3.50 to \$3.60. This option is in line with our contractual obligations, which states that gate charges and kerbside bag charges will solely fund the transfer station and collection service.

Option B: not recommended - Council could elect to subsidise the additional rate from general rates (difference between CPI and additional requested rates). Currently general refuse bag and disposal costs are user pays, by subsidising general refuse costs, Council would be undermining what Central Government is trying to achieve by increasing the Waste Minimisation Levy, which is passed on to the consumer via disposal charges. The expectation is that by increasing the costs to dispose refuse will incentivise material reuse and recycling rather than land disposal.

Policy and planning implications

There are no known Policy implications

Financial implications

If Option A is approved, there will be no implication on Council finances, as the activity will remain user pays.

If Option B is the adopted, then it is estimated (based on 2020/21 cost) that Council will be required subsidise Kaipara Refuse at an estimated cost of \$3,120 per month. There is no provision in Council budget for this subsidy.

Risks and mitigations

Increasing gate charges could potentially see an increase in illegal dumping throughout Northern Kaipara. While this is already occurring, it is unlikely to significantly increase based on disposal costs alone. The disposal costs will continue to increase as the Government implements initiatives to support its commitment to reduce NZ's carbon footprint.

Significance and engagement | Hirahira me ngā whakapāpā

The decisions or matters of this report are considered to have a low degree of significance in accordance with Councils Significance and Engagement Policy. No feedback is required, and the public will be informed of Councils decision via the agenda and minutes publication of this meeting, on the website and through other media channels.

Next steps | E whaiake nei

Inform the public through Council's Media Team that there will be an increase to the user disposal charges from the 1st of September 2022.