

TIPPING POINT

Talking rubbish
Council or
private collection?



Many councils have reached a tipping point at which they must take a long hard look at both the economic and environmental costs of how they structure their rubbish collections. **Duncan Wilson** explains.

In the minds of many, a council's job is to deal with the three 'Rs' – roads, rates and rubbish. Or at least that is how it used to be. Yet, for one of those 'Rs' – rubbish – councils' place as the natural custodian is now under threat.

A quick history lesson will help shed some light on what is happening. Up until the mid-1990s the council refuse collectors reliably picked up everyone's rubbish. Then came the era of contracting out and, with it, a greater awareness of the cost of the rubbish collection for councils. The smart move for a majority of councils was to adopt 'user pays' bag services.

(The Ministry for the Environment's *Territorial Authority [TA] Infrastructure Survey* [2014] indicated that in 2013, 56 percent of TAs had a user pays or part user pays rubbish collection service, although this was down from 63 percent in 2011.)

Householders could buy official rubbish bags or stickers, so they only paid when they put their rubbish out. User pays seemed a winner. It removed the cost from rates (or subsidised it), encouraged people to waste less and recycle more, was fair because those who wasted more paid their share, and was generally simple to administer.

Then came the wheelie bin. Wheelie bins are convenient, easy to store and move around, keep out dogs and pests, contain the smell and, best of all for householders, you can fit a lot in them.

Private operators were quick to see the advantages of wheeled bins and to offer wheeled bin-based collections to households that wanted a higher level of service than the council bag collection.

And they caught on. Many householders reason that if they are paying for a service, why not pay a little more and get something better? And so, for the past 15 years or so these private services have been steadily (and increasingly) gaining a bigger and bigger share of the market – particularly in areas where councils offer user pays bag services.

The chart "Council rubbish collection

market share by service type" shows the market share by weight of council services based on the type of rubbish collection offered. (Data is supplied by Waste Not Consulting 2016. Data is from 35 councils with available market share data.)

The key point here is that for councils which have user pays services, their market share is, on average, less than half. And the averages disguise some situations where market share is as low as 10 percent by weight.

It is also worth noting that market share by the number of households using the service is usually higher for bag services, as households with wheeled bins put out more rubbish than those that use bags.

What is more, this is not a static situation. Many councils are seeing their market share decline year on year. The chart "Council market share is on the decline" shows market share data from eight councils with user pays bag collections.

SO WHAT?

Councils are losing market share? So what? Well, there are a number of issues: The big one is that as these services rely on income from bag sales to pay for themselves (more or less), declining market share means declining income.

While some of the costs of collection are variable (like the cost of disposal), fixed costs are quite high – the trucks still need to drive all the same streets even if they are only picking up from less than half of the households.

In many areas around the country, the cost of providing a council service is approaching, or has passed, the point where it is no longer viable.

Another issue of concern to many councils is that households that have big 240-litre wheeled bins, in particular, throw a lot more away. The data is very clear on this. And there is evidence to suggest that this may be undermining efforts to reduce waste and recycle more.

Other issues include that, where there are a large number of private operators in

competition in the market, there can be four or five rubbish trucks going down the street on collection day; adding to noise, pollution and congestion.

Finally, and potentially most critically from a strategic perspective – because there is limited control over what private waste collectors do, councils are seeing their ability to influence householders' behaviour and achieve their waste minimisation and service level objectives eroded.

The two obvious choices for councils facing this type of situation are: to walk away and leave it to the private sector, or; to move (back?) to a rates-funded collection. There are many councils in this situation, but two have agreed to share their stories and their very different responses:

KAPITI COAST DISTRICT COUNCIL

Like most councils, Kapiti Coast District Council (KCDC) started out as the sole rubbish bag collection provider. Service delivery was contracted out. Council did not provide a rates-funded recycling collection.

In 2010 the council introduced its Solid Waste Bylaw which licensed rubbish collectors, and required them to provide recycling collection alongside rubbish collections.

In 2012 there was strong competition in the rubbish collection market which saw the council's rubbish bag market share drop. In 2013 council made the decision that it could not compete effectively and exited the rubbish bag collection market.

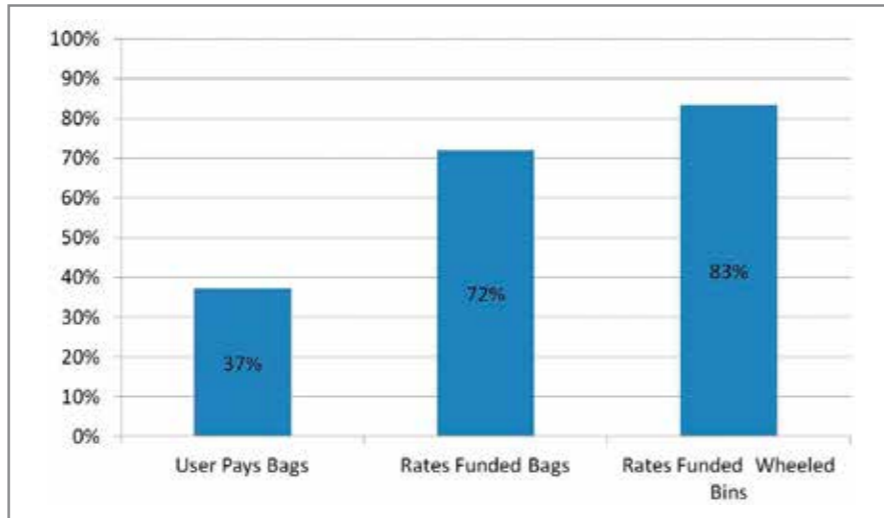
Since that time private companies have been providing all rubbish and recycling collections to households in the district. The cost of recycling is included within the rubbish bag / bin price.

In Kapiti, the bag market has continued to decline with households switching to bins. Notably there has been an increase in the number of households using smaller (80-litre or 120-litre) bins.

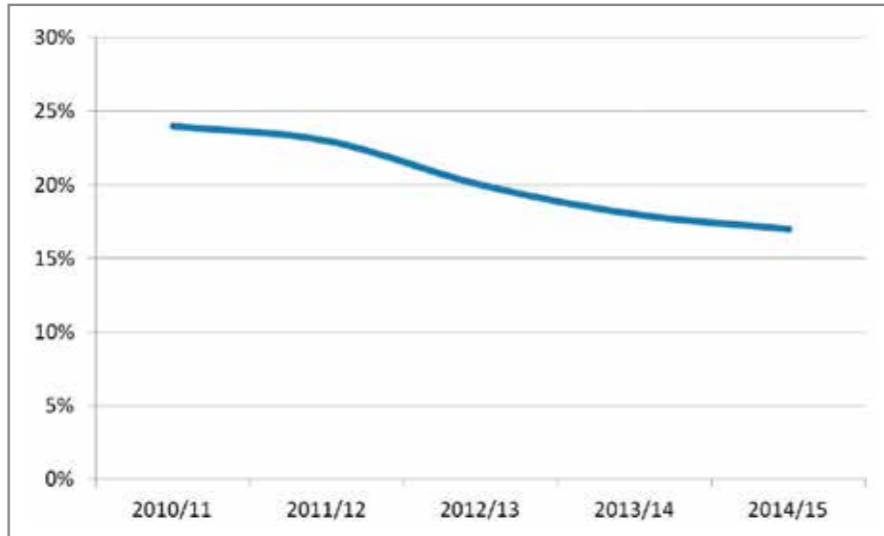
The council reports that there have been no conclusive changes in rubbish or recycling volumes since they exited the market, and that resident satisfaction with kerbside services is high at 92 percent.

Continued strong competition in the market has seen residents able to choose

2016 Council rubbish collection market share by service type



Council market share of rubbish collection over time (selected councils)



from a range of service levels at rates that are competitive with many rates-funded services.

It is acknowledged, however, that the market has not yet settled, and it is unclear whether the current pricing and service offerings will continue.

Balanced against these, largely positive, outcomes is that council has limited influence over service provision; and that residents still view council as responsible for rubbish and recycling collection, so when service issues do arise, it is often council that residents turn to.

TAURANGA CITY COUNCIL

Tauranga City Council (TCC) introduced user pays bag collections in 1994. Following this, private operators started offering competing services.

Council's market share declined and is now very low.

However, council is able to continue to offer the service through a favourable arrangement with one of the operators. In 2000 private full recycling collections started to be offered, replacing the free private paper and cardboard collections.

By 2009 all recycling collections were fully comingled (one bin for everything) with material going to a local sorting facility.

In 2014 issues emerged with comingled recycling collections and the local sorting facility. There were quite high losses of glass due to breakage and contamination, and a growing risk emerged that the private sector may stop collecting glass altogether.

As glass can account for around 40

to 50 percent of the weight of collected recycling, this would mean a big drop in recycling levels.

The situation with recycling highlighted the lack of control that TCC has over the services that its residents receive, and prompted it to look more closely at how services are provided.

The recent waste assessment report highlighted the difficulty for council to make improvements in the city's performance under the current arrangements.

Council's *Waste Management and Minimisation Plan*, adopted in August 2016, proposes looking further at options for funding of rubbish collections and extending provision to include recycling and garden and food waste collections.

WHAT NEXT?

The issues faced by Kapiti and Tauranga are being faced to varying degrees by councils up and down the country. It is fair to say that the 'right' response will

depend a lot on local circumstances and in particular what the local council's priorities are.

For a start, councils are not necessarily without options:

- Licensing of private operators and requiring them to provide certain levels of service, as Kapiti does, is a promising, if still not thoroughly tested, tool.
- Moving (back) to a rates-funded model may be a challenge for some councils where there is a particular sensitivity to rates increases, but such services should work out cheaper for households on average, so there is potential for community support if that message is accepted.
- Finally, there is a 'third' way; which is to consider partnership or hybrid options, such as joint ventures, part user charges, subsidies, franchising, or collection partnerships.

However, the key for any council trying to decide what to do next is to initially forget about these options, and

instead think through very carefully what outcomes it wants. Most will want a system that delivers good recycling / recovery rates, is cost effective for ratepayers, council and householders, and makes happy residents.

For a collection system to do these things this is actually mostly about how a system is designed, and not really about how it is delivered (ie, whether it is by a council contractor or a private operator).

So, do the homework to decide what ideal service levels and outcomes look like in your community.

Then, taking account of your unique situation, look at the options for service delivery and figure out which approach is going to have the best chance of making your ideal service levels and outcomes a reality, now and in the future. **LG**

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