

10 July 2020



Waste Reform Consultation
Department of Water and Environmental Regulation
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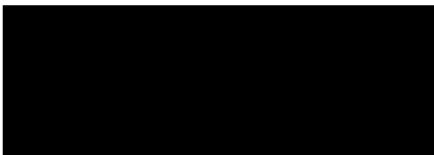
To whom it may concern,

**CITY OF KWINANA SUBMISSION ON THE REVIEW OF THE WASTE LEVY
CONSULTATION PAPER 2020**

I refer to the Review of the Waste Levy Consultation Paper, issued by the Department of Water and Environmental Regulation in February 2020, seeking input to improve the waste levy.

The attached City of Kwinana Submission on the Review of the Waste Levy 2020 was endorsed by the City's Elected Members at the Ordinary Council Meeting held on 8 July 2020, and is hereby submitted for consideration in the review.

Yours sincerely



Troy Morley

Manager Environment and Health Services

Attachment: City of Kwinana Submission on the Review of the Waste Levy 2020

Submission on the Review of the Waste Levy 2020

Closing Date: 15 July 2020

Foreword

The City of Kwinana is supportive of improving the effectiveness of the waste levy to improve waste management outcomes in Western Australia, and provides responses to the consultation questions with this general intent.

The City of Kwinana is one of a number of Local Government Authorities who are contractually committed to energy from waste (EfW) for its MSW management, with these contracts entered into when the "Creating the Right Environment Waste Strategy 2012" (Waste Strategy 2012) was current, and supportive of EfW. The City, therefore, has significant interest in any potential changes to the levy, brought about by the subsequently released "Waste Avoidance and Resource Recovery Strategy 2030" (Waste Strategy 2030), which may impact upon EfW and the City's contractual commitments. The City's responses to the consultation questions applicable to this aspect are reflective of the City's fundamental position, that the Kwinana community should not be financially disadvantaged by a conflict in timing between City of Kwinana contractual agreements and changes in State Government strategy.

The City has reviewed the draft response submission prepared by WALGA (May 2020), and is supportive of all aspects of their response. So as to not be overly repetitious, reference is made to the WALGA submission, as appropriate, in the City's responses here within.

Response to Consultation Questions

Chapter 2 – Objective of the waste levy

- 1. Are there any beneficial outcomes that can be achieved by a levy beyond those identified in the objectives of Waste Strategy 2030?*

The City is in agreeance with WALGA, that the waste levy alone does not change how waste is produced and managed. The recent pressures on the recycling industry resulting from China's National Sword Policy is an example of significant challenges currently faced by waste managers that cannot be addressed with a waste levy in isolation. It is clear that major change is required in Australia's domestic waste and recycling industry, and there is opportunity to use multiple mechanisms and incentives to contribute to beneficial outcomes that support the objectives of the Waste Strategy 2030.

The levy can play an important role in contributing to the Waste Strategy 2030 objectives and supporting a circular economy, however it is not effective in isolation. Modification to how the levy is applied and/or introduction of accompanying incentives, legislation and financial schemes could have far greater benefits. This is particularly applicable to the avoidance of waste generation by product manufacturers and the waste manager's ability to then effectively recover these products and retain them in the economy for as long as possible.

With regard to Municipal Solid Waste (MSW), the current application of the waste levy is a cost imposed on Local Government Authorities, but has little to no influence on avoiding waste production by product manufacturers and importers. Not only are manufacturers not affected by the non-recyclable/difficult to recycle products that they produce, there is also no incentive to manufacture products using recovered recycled materials. This is a major constraint to achieving a circular economy, and one which the current waste levy system has no meaningful influence on resolving.

Waste managers currently pay the waste levy, yet have no control over the production of the waste, other than attempting to influence consumer demand behaviors through education programs. Additional legislation, mandates, expanded product stewardship, product labelling (eg. recycled %), and financial incentives, or other means, is necessary for the manufacture and import of products into Australia/Western Australia. This would have beneficial outcomes for the Waste Strategy 2030 objectives, and support a more rapid transition towards a circular economy.

Another major constraint to achieving a circular economy, which the waste levy could provide beneficial outcomes to, is the lack of an adequate domestic reprocessing market for recovered materials. The recent announcement of the introduction of waste export legislation will benefit this, however the development of this industry would occur significantly quicker with increased strategic use of the funds yielded by the levy. Regardless of the proportion of the levy collected that is allocated back into waste avoidance and recovery, the highest priority for this funding should be strategic waste management activities. The fast tracking of the development of the domestic reprocessing industry in a cost effective and sustainable way should be of the highest priority to the State Government. The sooner this occurs, the sooner waste managers will have viable recovery options available, the sooner the impacts of China's National Sword Policy will ease, and the sooner the targets and objectives of the Waste Strategy may be realised.

Chapter 3 – How the levy can help achieve the objectives of Waste Strategy 2030

1. Are there any other strengths or weaknesses of a waste levy as an instrument for achieving the objectives of Waste Strategy 2030?

The influence that the levy can have on the viability of alternate, more desirable, waste management methods in the waste hierarchy, thus supporting the Waste Strategy 2030, is its strength. There are, however, weaknesses of the levy, in its current form..

Increased recovery through recycling has, until very recently, primarily relied on external foreign markets for the sale of recycled materials for reprocessing. International restrictions and planned Federal Government bans on the export of some materials has exposed the industry's vulnerability to such changes. To date, the waste levy has not fostered the development of local markets to any great degree, in either the charging of the levy or the application of funding. A circular economy and the objectives of the Waste Strategy 2030 are unachievable without a resolution to the ongoing global recycling industry situation. The charge of the levy alone is unlikely to make any meaningful difference without a range of other supportive mechanisms and increased resourcing from the State and/or Federal Government.

For materials where there is no current viable recovery option, regardless of the amount of levy applied, beneficial outcomes may only be achieved from the levy if the funds collected actually contribute to the development of long term solutions for such materials. The critical weakness here with the current levy is the fact that only a fraction of the funds collected are reinvested back into research and development that will aid this issue. In the case of such

materials in MSW, the levy just becomes an unavoidable cost to the community, who have no other option for the management of such material and limited other product purchase options due to a lack of State and Federal Government control or influence on the production and importation of these materials.

To achieve the Waste Strategy 2030 objectives, there must be a diverse spectrum of efficient, viable waste treatment facilities and recovery options available to Local Governments for the processing of MSW. Emphasis is currently placed on waste managers to ensure that the environment is protected by adopting better practice, however alternatives are not sufficiently provided for by the levy or the Waste Strategy 2030. There does not appear to be adequate large scale strategic activity from the State Government at present to foster the development of alternative waste treatment infrastructure, other than Food Organics and Garden Organics (FOGO) processing. Waste managers require solutions to these industry-wide barriers to a circular economy if the Waste Strategy 2030 targets are to be achieved.

The City supports WALGA's position regarding the comparatively low proportion of levy funds that are allocated to programs compared to other States, and the necessity for strategic waste management activities to be transparently prioritised. In order to achieve the objectives of the Waste Strategy 2030, investment in solutions to currently unviable recovery options, domestic reprocessing technology and infrastructure, and market development for recovered material products must be strategically prioritised and supported with adequate levy funding.

The direct influence that the levy, and any increases to the levy, has on illegal dumping and levy avoidance, combined with inadequate State Government resourcing of compliance, is a notable weakness of the levy system in its current form. The cost of the levy has increased illegal activity, in turn becoming a further financial burden to ratepayers for the collection, lawful disposal and payment of the levy on materials dumped on lands managed by Local Governments. On land that is not managed by Local Governments, including State and Crown land, this illegal dumping goes largely unmanaged and all manner of waste remains in these areas causing negative environmental impacts. Clearly this is not in keeping with the intention of the levy, and contradicts the objectives of the Waste Strategy 2030. This issue requires appropriate resourcing if it is to be addressed, and must be adequately considered in any proposal that seeks to increase the existing levy rate.

The levy can play an important role in improving waste management outcomes in Western Australia. The overriding weakness in its current application, however, is the use of the funds collected. There are significant, ever changing challenges faced by waste managers that would be greatly aided by the effective prioritisation of funding to strategic waste management activities that contribute to viable options that enable waste managers to meet the objectives of the Waste Strategy 2030. Of course, this could be far more effective with a greater proportion of the funds collected being allocated to such activities, as is the case in other States.

Chapter 4 – Rate of the levy

- 1. How has the waste levy benefitted or affected your waste business or operations?*
- 2. Can you advise of any recycling and waste diversion opportunities that would become viable if the waste levy was increased or applied in a different way? What rate of levy could be required to make these viable?*
- 3. Please provide information on potential impacts which may result from increasing the waste levy.*

4. If you knew when the waste levy was going to be varied, how would it affect your decisions about managing waste or related investments?

As with all metropolitan WA Local Governments, the City of Kwinana has been significantly affected by the waste levy. Not only has the levy impacted City's MSW management costs, but has also increased the cost of managing illegal dumping, with this increase being unfairly borne by ratepayers. The impact of the levy was a key consideration in the City's decision to enter an EfW contract in 2014, in accordance with the State Government's Waste Strategy 2012 in place at the time, which specifically supported energy recovery from waste.

The City engaged into EfW as a beneficial waste disposal solution over landfill, with regard to both cost and environmental outcomes, and this remains the case. Without the waste levy on landfill, EfW would not have been economically viable. The subsequent release of the Waste Strategy 2030 and the State Government's desire to implement the three bin FOGO system across metropolitan Perth and Peel regions does not change the City's contractual commitments of MSW supply to EfW. Any increase to the rate or scope of the levy will only add financial strain to the City's ratepayers, who have no other option to avoid the increased costs.

With regard to the City's capability to improve diversion of waste prior to landfill (or EfW once commissioned), the City supports WALGA's position that without active reinvestment of levy funds back into strategic waste activities, Local Governments are paying ongoing levy costs with limited to no ability to reduce this cost for ratepayers. This is particularly applicable in the current industry situation following the Chinese National Sword Policy, whereby significant cost increases are being experienced, severely limiting the sector's capacity to continue to address landfill by recycling, and neither the levy charge or levy funding appear to be contributing to a solution at the scale or speed at which the industry requires. The levy being increased or applied in a different way will not contribute to such solutions, but would likely have further detrimental impacts on an already financially strained industry.

Needless to say, any increase or expansion to the current levy in the foreseeable future, amidst the attempted recovery from both the Chinese National Sword Policy situation and the global covid pandemic, would be extremely difficult, and in many cases impossible, for Local Governments and their ratepayers to financially manage. It is the City's position that any future change to the rate of the levy should be well founded, based on independently verified evidence based benefits to waste management outcomes, be consulted transparently with industry, and have a minimum five year lead time.

The City would only ever support a change to the rate of the levy if there is a demonstrated benefit to strategic waste management outcomes with a change to the allocation of levy funds collected. The City will not support any change to the levy that acts as a stand-alone blunt economic tool that just seeks to financially discourage the use of landfill. If there is justifiable benefit to prohibiting the use of landfill for particular materials, then this should be legislated, along with legislation that controls particular materials in the supply chain that waste managers are forced to deal with. The transition away from landfill is fundamentally reliant on recovery options actually being available for the materials being managed. It is for this reason that it is so critical that levy funding be more strategically applied to developing these solutions, and why the City would only ever support a change in the levy rate that would clearly bring such benefits.

It must also be noted that any increase to the levy will, as it has in the past, result in an increase to illegal dumping and levy avoidance. This in-turn places even further financial strain on Local Governments, who are not only then managing more illegally dumped material, but are then paying more levy on the lawful disposal of this material. The City of

Kwinana removed and disposed wastes from 249 illegal dumping incidents at a cost of over \$574,000 in 2018/19, driven in part by the cost of the waste levy. Local Government capacity to pay further additional costs, particularly in the foreseeable future, must be thoroughly considered and addressed in the assessment of perceived benefits to any potential increase to the levy.

If there were to be any supported change to the levy, a minimum five year lead time would enable medium term strategic decision making, and enable business case development in the sector. If combined with improved strategic application of the levy funding, improved private sector confidence, increased research, development and initiation of alternate recovery methods, beneficial outcomes for the whole industry could eventuate far more quickly than would otherwise occur.

The City is of the position that, more so than any change to the rate of the levy, it is change in State Government policy and strategy that is of greater concern to the waste industry. The primary example of this being the current situation of a levy of EfW now being considered under the Waste Strategy 2030 after EfW was specifically supported under the preceding Waste Strategy 2012. The influence of knowing when the rate of the levy is being varied on Local Government decision making concerning managing waste and related investments is inconsequential compared to changes in strategic direction by the State Government, as has been the case with EfW. Industry requires long term commitment to policy as much as it requires adequate lead time for levy rate changes.

Chapter 5 – Setting future levy rates

- 1. How might the Government best balance the need for responsiveness to emerging knowledge about best practice waste management with the benefits of providing the confidence about future waste levy rates?*

Should any future proposed change to the levy be supported by the City, WALGA's position of a minimum five year rolling schedule would be desired. This would enable accurate medium term financial planning and informed decision making, without long term detriment to the introduction of any new best practices that may emerge. In any case, if a highly beneficial viable new practice did emerge, one would expect migration to such practice by industry, regardless of future levy rates. Furthermore, five years from an initial inception of potential new best practice through to being operationally and market ready would be reasonable, if not optimistic, for most technological/infrastructure advancements. As such, a need for greater "responsiveness" with regard to levy rate adjustments inside five years is unlikely to yield much, if any, practical benefit and is therefore considered unnecessary.

The City also reiterates that the levy should not be used in isolation as a stand-alone economic tool in driving industry change. Responsiveness to emerging best practice options can be achieved in ways other than continually increasing the cost of existing methods. The use of regulation, financial incentives, grant schemes, low interest loan programs, best practice guidelines and standards development, education programs and the like are all options that are available to the State Government to be highly responsive and proactive in fostering, developing and supporting emerging best practice.

Chapter 6 – Geographical area of the levy

- 1. Are there opportunities for the recovery of regional waste that would be made more viable by a regional waste levy?*
- 2. Where are these opportunities most likely to be viable?*

3. *What rate of waste levy could be required to make them viable?*
4. *Under specific circumstances, it is possible that an expanded waste levy area could make evasion less financially attractive. How does the cost of transporting waste over long distances compare with the cost of the levy?*
5. *What other advantages or disadvantages could arise from a regional waste levy?*

Whilst not directly applicable to the City of Kwinana, WALGA's position is fully supported by the City, in recognition that our regional counterparts would face significant challenges if a levy were to be introduced without due consideration of all impacts.

Chapter 7 – Waste management options to be levied

1. *Waste Strategy 2030 proposes that by 2020, only residual waste will be used for energy recovery. How will this requirement affect your waste management operations?*
2. *Would a waste levy on energy recovery have a different effect on your operations?*
3. *Are there any other waste management options where applying a levy could help achieve the objective of Waste Strategy 2030?*

The City of Kwinana is aligned with WALGA's position that waste received by a licensed premises for the purpose of resource recovery, in any form, should not be levied. If a levy were to be applied to one form of recovery as less desirable than another, then arguably a scaled levy should be applied to all recovery options in the waste hierarchy. This is obviously not desirable and would be detrimental to the objectives of the Waste Strategy 2030, and contradict the intent of a levy being applied in the first place, being to encourage recovery over landfill. The point is that energy recovery should not be levied, just as no other recovery option on the waste hierarchy should be levied.

It must be acknowledged by the Department of Water and Environmental Regulation and the Waste Authority that the City of Kwinana, like several other Local Governments, acted in keeping with the Waste Strategy 2012 that was in place at the time when EfW contracts were entered into. To be abundantly clear, the opening paragraph of the Waste Strategy 2012 vision specifically read *"The primary goal of sustainable waste management strategies is to reduce the environmental impact of waste and maximise conservation of natural resources through reduced overall material use and increased materials **and energy** recovery"*. In following this State Government vision, and with ever increasing levy costs being imposed, Local Governments assessed waste management options available, and several ultimately entered long term EfW contracts.

The City contractually committed to EfW in 2014 as the most beneficial waste management option for it MSW after conducting a multi-criteria assessment across environmental, economic and social outcomes. This commitment to EfW was some four years prior to the release of the draft Waste Strategy 2030 in 2018, which then changed the goal posts and seeks to have Local Governments transitioning to a three bin FOGO system by 2025. Given the timing between the Waste Strategy 2012 being supportive of EfW, Local Governments entering long term contracts in keeping with this Strategy and then for EfW to no longer being supported in the Waste Strategy 2030, consideration must be given for existing contractual commitments with any proposed levy concerning EfW.

The City is currently preparing its Waste Plan 2020-24 with an intent to maintain its current two bin system and a continued garden organics (GO) collection service. This system is necessary to satisfy the City's minimum supply commitment to EfW over this period. With

the City's delivery of a two bin and GO collection service, the Waste Strategy 2030 proposal of only "residual" waste being used for energy recovery becomes somewhat complicated with the application of a levy to mixed material containing a portion of what would be considered "non-residual" waste. Given the prior separation at source of recyclables and majority of GO via the collection service, the presumption would be that all but the Food Organics (FO) in the City's general waste stream would be considered "residual". If a levy were to be applied to all mixed material received, as "contaminated" by non-residual FO waste, this would be highly inequitable. Conversely, any levy system that attempted to somewhat equitably apply a levy to this mixed material would likely be complex to administer and challenging to manage compliance.

In any case, if a levy, in any form, were imposed on waste received for energy recovery, it would not change the City's current operations, nor that of at least the next 4 years. It will not stop or reduce the City's EfW commitment, nor reduce landfill, and would, therefore, be fruitless in its intent. The City entered EfW as an innovative opportunity to achieve the State's waste objectives of the time, which focused on reduced landfill to realise benefits of reduced long term costs to the community and reduced environmental impacts compared to traditional fossil fuel energy generation. A levy applied to EfW will only result in increased rates to the Kwinana community, for which they, nor the City of Kwinana, have any control to now change. In addition to being one of the most disadvantaged areas in metropolitan Perth, like others, the Kwinana community is only just commencing its recovery from the covid pandemic, and can ill afford further financial strain that increased levying of their waste would bring.

As a growth area Council, the City of Kwinana will continue to grow in household numbers over the next 20 years, and the City's waste generation will also continue to grow; albeit with the intent to reduce waste per capita. In time, this growth will provide the opportunity for the City to consider its overall waste management options in balancing its minimum EfW supply commitments with other options, such as those proposed in the Waste Strategy 2030. It must be noted, however, that should the City's FO material be diverted from EfW to FOGO in the future, the City has remaining concerns regarding the market readiness for State's intended implementation of the three bin FOGO system. If successfully implemented, this will generate an estimated 250,000 to 300,000 tonnes of compost material per annum in the metropolitan and Peel regions, with no apparent market for anywhere near this quantity in the foreseeable future. Unless this is rapidly addressed, there is great risk of ever increasing stockpiles of this "non-residual" waste material, which, arguably could be more beneficial in energy recovery, rather than utilising fossil fuel energy generation that the State's energy supply otherwise relies upon.

The apparent presumption that Local Governments and the agricultural sector will just begin using the composted FOGO material in-lieu of traditional granular and liquid fertilisers is questionable and, as yet, seemingly unfounded. Practical use of compost material in a municipal setting is essentially limited to soil conditioning of new developments and in redevelopment projects. Use as a general fertiliser for established parks and gardens is just not economically or operationally viable, even if the material is gifted, due to a multitude of factors. As such, consumption of FOGO generated compost, in any meaningful quantity, by Local Governments is highly unlikely, and places a market reliance on the limited residential market, and the agricultural sector to consume very large quantities of this material, which is yet to be demonstrated as viable. The development of the FOGO compost market must become a primary focus for the State Government if the intended outcomes are to be realised. This will require time and a scale of investment in multiple sectors that will be challenging to achieve by 2025.

The City is not opposed to FOGO composting as a waste recovery option, however, as is the challenge with many aspects of a circular economy, there must be a viable market for the recovered material. The current and foreseeable demand for FOGO compost is grossly inadequate for the supply quantity that will be generated. Any change to the levy that impacts energy recovery from MSW containing FO and/or GO will not change this, but would rather contribute to the issue further with even greater oversupply. The simple fact is, that whilst there is extremely limited FOGO compost market at present, there is an existing market for electrical energy that EfW would bring multiple benefits to over the State's current energy generation infrastructure.

If, and when, there is a sufficiently developed FOGO compost market with demand for such large quantities of material, then there may exist some potential benefit in a change to the levy concerning such material being used for EfW. The City would, however, only ever support any levy concerning EfW where the State Government can provide a business case that clearly demonstrates evidence based benefits to waste management and environmental outcomes. The wider implications of energy generation must be considered in any such business case, which is unlikely to support a levy on EfW until the State's energy demand is primarily supplied from renewable energy sources.

With regard to the application of a levy to any other waste management options, the City is of the position that, in the first instance, the existing levy could be used more effectively in achieving the objectives of the Waste Strategy 2030, rather than introducing new levies to an industry that is already under financial pressure. As outlined elsewhere in this submission, the City believes greater benefit could be realised, if the low proportion of levy funds allocated to programs were increased, and funding of strategic waste management activities prioritised. The City will not support the introduction of any additional levy without clear benefits to strategic waste management outcomes being demonstrated.

Chapter 8 – Other improvements to the waste levy

1. What other changes to the design or implementation of the waste levy could help make it more effective or efficient in achieving the targets of Waste Strategy 2030?

The City is fully supportive of WALGA's position that a clear rationale for the levy is essential for assessing the appropriateness of all policy decisions which relate to the levy, such as how it is charged, the rate applied and where the levy funding is spent.

It is also the position of the City that the levy could be more effective and efficient in achieving the targets of the Waste Strategy if the funding from the levy was increasingly applied to strategic activities that address the challenges faced by waste managers. Increased investment, and effective prioritisation, is required for improved local processing technology and infrastructure, product market creation and development, and industry incentives that improve packaging and product recovery outcomes. Without rapid improvement to recovery options available to waste managers, the targets of the Waste Strategy 2030 and transition to a circular economy will be unattainable.

If the State Government is truly committed to achieving the Waste Strategy 2030 targets, appropriate commitment of investment to see their realisation is necessary. Waste managers are making substantial financial contributions through the levy, a total of \$77.57m in 2018/19, from which seemingly limited benefit is gained towards addressing the challenges faced by the industry. The fraction of this funding that is currently re-invested into meaningful industry wide solutions that would support the objectives of the Waste Strategy 2030 is inadequate. Even one of the key strategies of the Waste Strategy 2030; to implement the three bin FOGO system by 2025, is not adequately funded. Communities

have paid millions into the levy for the development and funding of waste management solutions, and yet are to incur even further costs to implement such changes.

The waste industry is under extreme and unprecedented financial pressures at present; levy grant funding for key strategic initiatives of the Waste Strategy 2030 require adequate investment of levy funds to enable waste managers to implement such strategies. Without this, the financial impacts of the Chinese National Sword Policy and covid pandemic will prohibit the effective implementation of the Waste Strategy 2030 and its targets and objectives will not be achieved.

It is a contradiction that the levy should, theoretically, aim to make itself obsolete by eliminating landfill of recoverable materials, whilst by design, 75% of the levy collected is funding general operations of the State Government. Whilst this remains the case, there exists an unsustainable contradiction in the State Government's use of the waste levy as an instrument to achieve the objectives of the Waste Strategy 2030. Without substantial justification of the clear and tangible waste management benefits to be realised, any changes to the levy would be considered by industry to be an offset to lost revenue from reduced landfill, as opposed to necessarily being beneficial to the State's waste outcomes. It is essential that the rationale for the levy be made clear and that the application of the levy and use of funds generated be designed to be solely, or at least primarily, focused on improving strategic waste management outcomes.