

Enquiries: Kyle Boardman  
Our Ref: CoM Submission – Waste Levy Review July 2020

14 July 2020

Waste Levy Review  
Department of Water and Environmental Regulation  
Locked Bag 10  
JOONDALUP DC WA 6919

Dear Sir/Madam

### Review of the Waste Levy – Consultation Paper

The City welcomes the opportunity to comment on the Consultation Paper on the Review of the Waste Levy.

The Mandurah City Council considered the matter at its meeting on 23 June 2020 and resolved to provide comments in respect to the Waste Levy Consultation Paper.

The City acknowledges the State Government's Waste Strategy 2030 and its approaches to avoid the generation of waste, increase material recovery, and protect the environment from impacts of waste.

It is recognised that the waste levy applies to waste that is generated within the Perth Metropolitan Area that is disposed of at landfill. The levy increases the cost of landfill disposal, which provides a financial incentive to decrease the quantity of landfill disposal.

A historic review of the levy is detailed in the table below:

Period	Putrescible Waste Rate/tonne	Inert Waste m <sup>3</sup>
31 December 2014	\$28	\$12
1 Jan 2015 – 30 June 2016	\$55	\$60
1 July 2016 – 30 June 2017	\$60	\$75
1 July 2017 – 30 June 2018	\$65	\$90
1 July 2018 onwards	\$70	\$105

The passage of the *Waste Avoidance and Resource Recovery Act 2007 (WARR Act)* and the *Waste Avoidance and Resource Recovery Levy Act 2007 (WARRL Act)* were accompanied by an understanding that the primary rationale for the levy was to provide funds for relevant strategic waste management activities.

However, in 2009 the WARR and WARRL Acts were amended to substantially increase the levy and divert funds away from strategic waste management activities. At least

25% of funds raised through the levy must now be paid into the Levy Fund (WARR Account), with the remaining 75% of funds going into consolidated revenue to fund government operation and services.

An analysis of the Waste Authority Business Plan and Annual Report by WALGA has confirmed that a significant portion of the 25% of Levy funds allocated in the WARR Account are used to fund DWER operations (approximately 60%), with only a small portion being used to fund strategic waste initiatives. The breakdown of the 25% of funds over the last 2 years can be summarised in the table below:

	DWER	Local Government	Consultant/Service Provider	Waste industry/ Community/Charity
2018/19	\$12,465,400 [60%]	\$5,189,200 [25%]	\$979,100 [5%]	\$2,116,300 [10%]
2019/20	\$12,141,050 [59%]	\$5,630,200 [26%]	\$955,000 [5%]	\$2,023,750 [10%]

By comparison, Victoria has a similar Levy scheme that allows for 60% of the total Levy being made available for funding initiatives on waste management.

The waste Levy is largely a State Government tax on waste disposal. A large proportion of the funds collected from the Levy are allocated direct to consolidated revenue (75%) or used to fund government authorities like DWER and the Waste Authority, with only a small portion being used to support strategic waste initiatives.

## Consultation Questions

### Chapter 2

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

Response:

Waste levies can provide an incentive for waste collectors to find a more economic method to dispose of waste material that can be recovered, however, for this to be viable, effective recovery options need to exist. This is becoming increasingly difficult in view of the China National Sword Policy which has prevented the export of recyclable products to overseas markets and thus resulted in falling commodity prices. It is therefore important that levy funds are used to invest in local resource recovery options and support local waste initiatives, rather than be allocated to consolidated revenue or fund government operations.

### Chapter 3

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

While the Consultation Paper states that the expenditure of the Levy does not form part of the scope of this consultation, an inherent weakness of the Levy is how these funds are spent by State Government with a very small portion being allocated to strategic waste initiatives. All funds collected from the waste Levy should be fully hypothecated



(100%) to strategic waste management initiatives and not be used for funding core State Government functions.

The recycling issues that have arisen from the National China Sword Program are clearly evident within the industry and the State Government has demonstrated no commitment or leadership in addressing these issues.

High quality materials are able to be exported into overseas markets. Mixed plastics and mixed paper have a very weak market demand. As a result, a lot of material is being stockpiled and this is now reaching critical limits. The likely solution to this is disposing of such products via landfill.

Effective application of the Levy would be pivotal in achieving the objective to recover more value and resources from waste as State Government investment will boost confidence in the waste sector and drive the development of local markets for the resources collected.

The City has previously raised concerns during the consultation phase of the Waste Strategy 2030 document and the associated action plan. For example, one headline strategy relates to the mandatory implementation of the Food and Organics (FOGO) service for all local governments within the metropolitan area and Peel region by 2025. However, despite numerous requests, DWER have been unable to produce a Business Case that justify the implementation of the FOGO service on economic, environmental and social grounds.

#### Chapter 4

*How has the waste levy benefitted or affected your waste business or operations?*

*Can you advise of any recycling and waste diversion opportunities that would become viable if the waste levy was increased or applied in different ways? What rate of levy could be required to make these viable?*

*Please provide information on potential impacts which may result from increasing the waste levy?*

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

Whilst the City has not been required to pay the landfill levy to date, it is clearly seen as a State Government tax and therefore an impost on the community. However, the expansion of the levy to include the Peel region and/or an imposition of the levy onto non-residual waste at Waste to Energy facilities will have a significant financial impact on Mandurah ratepayers and there would be very limited opportunities to recover or access funding from the WARR account.

The levy should support local businesses in the establishment of waste related resource recovery activities through economic subsidies or the like. Population densities are insufficient or incapable of supporting standalone resource recovery businesses and the levy should be used to incentivise these activities.

Illegal dumping is already a major issue in many local governments, including Mandurah, and the imposition of a levy into the Peel region will increase gate fees at

waste facilities and further exacerbate the prevalence of illegal dumping in our community.

The City will have no choice but to pass on the full charge of the Levy to ratepayers through the annual rubbish charge as this is the prime mechanism for funding the waste portfolio. The Levy is a State Government imposition and beyond the control of local governments.

### Chapter 5

*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?*

Local government requires certainty about the Levy and future increases so it can effectively plan and budget, and has a firm basis from which to develop business cases on changes to waste services.

Business cases by State Government should be made available to local governments for comment. That is, they should be open and accountable and include evaluation of overseas trends to justify the position taken.

However, it is also important that State Government is more open and responsive to technology changes within the industry (i.e. waste to energy and recycling of products) and they need to be cognisant of this matter when developing future schedules of Levy rates.

### Chapter 6

*Are there opportunities for the recovery of regional waste that would be made more viable by a regional waste levy?*

*Where are these opportunities most likely to be viable?*

*What rate of waste levy could be required to make them viable?*

*Under special 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?*

*What other advantages or disadvantages could arise from a regional waste levy?*

The City does not support the application of the waste levy to landfills in the Peel region or other non-metropolitan areas.

An imposition of a levy to the Peel region (and Mandurah) will have an impact on local businesses as the majority of waste from commercial businesses is sent to landfill and will therefore incur the levy. The levy will need to be passed directly onto local businesses by their waste service providers.

The City's inert landfill facility in Tims Thicket will be directly impacted by the waste levy as all incoming waste would incur the levy payment. This is likely to reduce volumes of waste currently disposed of at the site. In addition, DWER have recently amended Regulations requiring that all landfills that receive leviable waste must have an operating weighbridge onsite. The capital cost for a weighbridge at this site is in the



order of \$140K and the City would be required to fund the weighbridge if the site was to remain open.

Illegal dumping continues to be a significant issue for the City (and many other local governments) and the subsequent increase in fees and charges at the City's waste facilities due to a potential levy, would further exacerbate the prevalence of illegal dumping in our region.

### Chapter 7

*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?*

*Would a waste levy on energy recovery have a different effect on your operations?*

*Are there any other waste management options where applying a levy could help achieve the objective of Waste Strategy 2030?*

The City is a member of the Rivers Regional Council and subsequently signed a long-term contract and committed all of the City's waste to the Avertas Energy Waste to Energy (WtE) facility currently under construction in Kwinana. The procurement process for this service was lengthy and convoluted and RRC and its member Council's executed contracts in 2015, which was well before the introduction of the Waste Strategy 2030 – which now commits local governments to the implementation of the Food and Organic (FOGO) service by 2025.

The State Government was fully aware of the position of RRC members with respect to the Waste to Energy facility and that participants were required to commit to the delivery of minimum tonnages of waste to the facility. However, Waste Strategy 2030 was drafted in conflict with the RRC position. This was raised by the City through the consultation period, but no changes were made to the document when it was finally released.

An imposition of a regional levy on non-residual waste at Waste to Energy facilities will have a significant financial impact on the City and could impact on the ongoing financial viability of the Waste to Energy plant.

The City strongly opposes any application of a Levy on a waste to energy facility, or any licensed premises whose primary purpose is resource recovery i.e. material recovery facilities, green waste processing facilities and alternative waste treatment facilities.

The rationale for not imposing a Levy on waste to energy facilities can be summarised as follows:

- Changing WtE project economics

Millions of commercial investment dollars have been committed to WtE to allow RRC member Council's to lead the way in landfill diversion, and fiddling with the economics of WtE at this early stage of development would be detrimental to the project and potentially impact on landfill diversion targets. Major projects like WtE require commercial stability for funders and operators to commit long term capital. Whilst the Waste Strategy 2030 does not have the same standing as legislation, it does carry regulatory type support. The contractual commitments

entered into by participants prior to the release of the Waste Strategy 2030 will require consideration by the State Government in any decision to change the economics of WtE.

- WtE should be recognised as equivalent to composting as part of the overall solution to achieving the zero landfill objectives of the Waste Strategy 2030.
- WtE produces less greenhouse gases than composting:
  - DWER/Waste Authority have not been able to produce a business case for the source separation of organics (FOGO bin), and legislating for a circular economy outcome without a plan for a complete and competitive market, is a significant risk to all involved. The market for recoverable organics is not yet established and no business case has been developed by the DWER/Waste Authority.
  - The case for the third bin is not economic or financial so it relies on sustainable waste management factors.
  - During most debates about sustainable waste management practices, the pro-composting parties believe that incineration is worse for the environment. Papers based on independent studies prove otherwise.
    - Waste management options to control greenhouse gas emissions – landfill, compost or incineration? Paper for the ISWA Conference, Portugal, October 2009 by Barbara Hutton, Research student, Master of Sustainable Practice, RMIT University, Ed Horan, Program Director, Master of Sustainable Practice, RMIT University, Melbourne and Mark Norrish, Mathematics, Australian National University, Canberra (Australia).
    - The Ecological Footprint of Composting and Incineration of Garden Waste in Denmark. An evaluation of the ecological benefits of incinerating garden waste in waste-to-energy facilities versus composting. An Interactive Qualifying Project submitted to the faculty of Worcester Polytechnic Institute in partial fulfillment of the requirements for the Degree of Bachelor of Science Submitted by: Seth Chapman Nikki Clardy Nathan Webb.
  - Findings from both reports: -
    - Incineration of waste had the least climate impact of the three methods of disposal, followed by landfill with gas capture. This study did not estimate CO<sub>2</sub> savings from waste-to-energy, only the benefits from reducing greenhouse gas emissions, CH<sub>4</sub> and N<sub>2</sub>O, from landfill and composting. If energy-from-waste is used to replace coal-fired electricity, results for incineration and landfill gas capture would be even greater.
    - This report assesses the environmental impacts of incineration with energy recovery and composting as two options for the disposal of garden waste in Denmark. By analysing literature and



speaking with experts in the field of waste management a recommendation was formed as to the most ecologically friendly plan for garden waste management. This study concludes that in most instances, incineration proves to be more environmentally friendly.

- These outcomes did not include the saving of “emissions” from the pickup operation of the 3rd bin or the considerable savings of fuels from the incinerator power generation, which would make the case for incineration stronger.
- RRC member Council's and the City of Canning will achieve the objectives detailed in the Waste Strategy 2030:
  - 70% material recovery\* by 2025
  - No more than 15% of waste landfilled by 2030.
  - Waste Strategy 2030 states that resource recovery includes the recovery of energy from waste.
  - \* *Subject to WtE being classified as material recovery, which is not defined (but resource recovery is and includes energy from waste) within the Strategy.*
- Interestingly re-use of organics (no levy applied) after they rot into compost and then not used again is considered a higher option than producing power via thermal treatment (saving fossil fuels) and defined as re-use under Waste Strategy 2030. Whilst the Strategy states that WtE is the least preferred method of resource recovery, it remains a viable alternative to landfill and should NOT therefore be penalised.
- RRC members executed the Waste to Energy Agreements in 2015 with participants required to commit to minimum tonnes of waste to successfully close the negotiations. At that time there was no conflict with the State Waste Strategy – which was primarily focused on landfill diversion. It is highly unlikely that the City would have sufficient quantities of waste to introduce an organic separation service (FOGO bin) by 2025 – which is required in the Waste Strategy - without incurring significant financial penalty under the WtE Agreement.
- Waste to Energy is a legitimate solution for diversion from landfill and should be allowed to develop without market interference.

## Chapter 8

*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 the Waste Strategy 2030?*

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 importantly where the money is spent.

Thank you for the opportunity to comment on the Waste Levy Consultation Paper.



Should you have any further queries please do not hesitate to contact the City's Coordinator Waste Management, Mr Kyle Boardman on [REDACTED].

Yours sincerely

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Allan Claydon  
**Director Works and Services**