

## **Submission to the Department of Water and Environmental Regulation (DWER)**

### **Consultation Paper: Review of the waste levy**

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The City of Wanneroo welcomes the opportunity to comment on the *‘Review of the Waste Levy’*. The past 20 plus years have seen dramatic positive changes in the environment, economy and related waste management and resource management sectors. The next 20 years are likely to see similar change, and a move towards circular economies is expected to impact local and global economies from producers and retailers to the entire waste and resources management sector.

#### **Response to Questions**

##### **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?***

Appropriately designed schemes provide a disincentive for disposal of waste to landfill. Landfill levies are a tool for minimising waste:

- they can be set at a rate that better reflects the full social and environmental costs of disposing of waste to landfill;
- they provide incentives for individuals and businesses to reduce their waste;
- by increasing the cost of disposal to landfill they can make alternatives such as recycling more commercially viable;
- they raise revenue that can be invested in modern resource recovery infrastructure, services and other waste diversion initiatives, making it easier for households and businesses to choose alternative ways of dealing with their waste.
- There is potential to use levy funds to address issues such as illegal or unregulated disposal that could otherwise undermine the effectiveness of the levy. This could include directing funds towards monitoring and enforcement and by prioritising spending on services and infrastructure in areas where these are lacking (such as rural areas).

##### **Consultation Questions: Chapter 3**

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

Levies are very successful in generating revenues. Success in driving overall reductions in waste disposal to landfill has been more modest where levies are set at relatively low levels. The main purpose of landfill levies or taxes is to make the alternatives to landfilling more attractive and to guide waste producers to recycle, prevent and minimise waste. Overseas evidence appears to confirm that for any levy to be effective it needs to be sufficiently high to make alternatives to landfill commercially viable. In the UK, a landfill tax was introduced in 1996. Since 2000/01, the volume of general waste collected by local governments in the UK that is sent to landfill has reduced from approximately 22 million tonnes to less than 10 million tonnes (DEFRA 2012). Even since then, the landfill levy on general waste to landfill has increased from \$120 per tonne in 2012 to \$175 per tonne since 1<sup>st</sup> April 2020, in an effort to encourage further investment in newer resource recovery technologies and to discourage landfill.

The landfill levy is one tool to avoid and minimise waste production but it is not enough of an incentive to encourage all stakeholders to contribute to the Waste Strategy Objectives of Avoid,

Recover, Protect and meet the Waste Strategy Targets. Emphasis has been placed on managing waste produced by the community and industry but little on avoiding waste production, which sits at the top of the waste hierarchy and is a key element of the Waste Strategy. The Waste Avoidance and Resource Recovery Act contains provisions to establish state based product Stewardship Schemes such as the Container Deposit Scheme. However, producers or importers of products have a role to play by participating in product stewardship approaches and extended producer responsibility schemes as they are developed in WA to ensure that products are fully recyclable.

#### **Consultation Questions: Chapter 4**

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

In support of the previous and current state waste strategies, the City has made plans to introduce a separately collected organics recycling bin. A change to a three-bin system represents a substantial investment for local governments. The Better Bins Program offers funding to support the source separation of waste using a three-bin kerbside collection system. The funding pays \$30 per household to local governments to implement a three-bin kerbside collection system. The City will receive \$2.5 million funding to support the introduction of the third bin, however the capital costs for the City to procure new bins and change lids is much greater than this, at approximately \$6.8 million, which the City is required to self-fund. Added to this, there is no support for the ongoing annual operational costs, expected to be around \$1-1.5 million per year.

##### ***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?***

The use of revenue collected from the levy is another example of differences in waste policy across jurisdictions. In Western Australia, prior to 2010, 100 per cent of the levy revenue was hypothecated for spending on strategic waste management activities. Now only 25 per cent of the levy revenue is hypothecated and allocated to the WARR Account to fund the following waste and recycling programs:

- a) Better Bins Programs: designed to assist Local Governments with implementing better practice kerbside collection systems
- b) Charitable Recyclers Dumping Reduction Program: supports charitable recyclers that divert used items from landfill and recover them for recycling and reuse.
- c) Charitable Recyclers rebate: this funded program rebates the landfill levy paid by charitable recyclers on unusual material left at their facilities
- d) Community and Industry Engagement (CIE): provides funding under two streams  
Stream 1: supports investment in recycling infrastructure with a maximum grant of \$250,000 per project  
Stream 2: General funding supports organisations to develop and implement projects that promote behaviour change through better practice systems, processes, education and knowledge.
- e) Roads to Reuse: promotes the use of recycled construction and demolition products in road construction projects

The range of programs that can access funding could potentially be expanded to include:

- initiatives that require capital at the start to cover setup costs that might otherwise be uneconomical, but over time can become self-sustaining;
- Initiatives that have the potential to lead to new methods of waste minimisation and drive innovation in the sector
- Creation of onshore waste/materials (re)processing capability to build resilience for external market changes and reduce reliance on overseas recyclers;
- Increase funding for infrastructure projects – currently the maximum funding available is \$250,000
- The significantly increased revenues should be distributed in an efficient manner, with the most appropriate funding mechanism being used based upon the size or nature of the project (e.g. grant funding for smaller projects). Funds should be distributed according to infrastructure needs to align with relevant regional and local waste management planning strategies.

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

Increasing the levy is likely to have direct impacts on litter and illegal dumping, as well as compliance, enforcement, education and management efforts to minimise impacts from these activities. Local governments are most likely to bear the brunt of these impacts due to the associated enforcement, clean-up and mitigation costs. Illegal dumping of Construction and Demolition waste can be minimised through the availability of recycling options that are provided at lower cost than landfill disposal costs. At a local level, increasing the waste levy could potentially have a direct impact on householders who deposit household bulky waste items at community recycling centres. An increase in the waste levy will ultimately lead to an increase in the waste disposal fee at these sites, which could potentially lead to an increase in illegal dumping activities, as householders are reluctant to pay the increase in waste fees.

**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?***

For long-term infrastructural projects many local governments are required to prepare business cases. Currently the waste levy is reviewed every 5 years, the City is of the opinion that the review of the levy should be extended to greater than five years to allow Local Governments to forecast and plan for waste infrastructure projects.

**Consultation Questions: Chapter 5**

**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?***

The levy may currently represent a small part of municipal landfill operator public 'gate fees' or commercial rates they charge to accept waste, meaning it is hard to accurately predict impacts of changes to the levy. These rates vary depending on economies of scale, the age of the landfill, its capacity to accept waste and other commercial factors such as the degree of local competition. The Government cannot predict how the sector will pass increased levy costs onto customers because waste services are subject to varying degrees of price competition in different areas. However, as a

general rule the assumption is that landfill operators will directly pass the cost of an increased levy on to customers

#### **Consultation Questions: Chapter 6**

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

Historically the levy has been applied to areas that are highly populated and therefore produce a high proportion of waste. However, there are still many areas of Western Australia that are generating or receiving large volumes of waste which are not attracting the levy. Differences in regulatory arrangements between jurisdictions, particularly landfill levies, create an opportunity for the transport of waste between jurisdictions to avoid or reduce the amount of levy incurred. For example, currently the levy applies to waste generated and disposed to landfill in Perth Metropolitan area or waste received at landfills in the Perth Metropolitan area. The lack of a levy in regional landfills provides a major commercial incentive for waste to be transported from Perth Metropolitan to regional Western Australia because it is cheaper to landfill waste in these areas. It could be argued that if a levy was applied to regional waste that the revenue generated from these areas could potentially be 'ring fenced' and only those regional areas that paid the levy could access the funds. In essence the region is no worse off because any revenue raised from the region comes back to the region.

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

The application of the levy to Major Regional Centres could effectively neutralise the benefits of transporting metropolitan waste to these regions in a bid to avoid paying the levy by increasing the total costs of disposal. It could be argued that if more than 25% of the levy raised in non-metropolitan areas is dedicated to the implementation of strategic waste management initiatives in those areas then that could have a positive effect in non-metropolitan areas, and could also offset any potential loss in revenue to those regional facilities that may eventuate.

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

According to the 2017-18 Local Government Census of WA 396,998 tonnes of waste was collected of which 286,599 tonnes was landfilled. If a reduced levy rate was applied at a rate of half of the metro levy (currently \$35) the non-metropolitan area of Western Australia would generate approximately \$10 million per annum. However, as 25% of the monies generated from the levy is allocated to WARR account \$2.5 million would be available to regional local governments for waste management activities. This money could potentially be ring fenced specifically for regional local governments. By collecting and committing funds to reinvestment of infrastructure and programs that support local waste management and reprocessing opportunities for regional and remote communities, barriers such as prohibitive transportation costs could be avoided and local economic benefits for these communities realised. That is to say, there is some support for the levy to be applied to licensed landfills outside the metropolitan area, provided it is managed in such a way that it is not detrimental to non-metropolitan communities.

**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?***

Differentials in levies across regions and between states has created a levy avoidance industry, both legal and illegal resulting in potentially recyclable material ending up in landfill, and hazardous material being disposed of inappropriately. This could potentially become an issue in Western Australia where waste may be transported outside of Perth Metropolitan area. In order to assess indicative costs associated with the transport of waste, the type of transport and associated loading costs and the distance from source to the disposal point must be identified. From there the local disposal cost option is compared to the cost of remote transfer and disposal. The national harmonisation of waste levies would remove the incentive to send waste to other jurisdictions.

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

Levies are only one part of an effective waste management strategy that looks to drive innovation and community engagement. Reinvestment of funds back into the sector is an important part of an integrated approach that must cover a broad range of stakeholders and is demonstrated by the approach taken by several states in their latest initiatives. It could be argued that the levy is a tax on waste generated thus allowing people to become more responsible for their waste generation – the more waste that is generated the more costly it becomes to dispose of.

Another potential approach is differential pricing for landfill levy - set a higher rate for metropolitan waste (i.e. waste generated closer to major urban centres) and a lower rate for waste from rural areas. This pricing structure, which is employed in most Australian states and territories, aims to address the different financial and operational considerations for rural and metropolitan areas, such as:

- Lower population densities in rural areas increases the costs of waste transportation relative to metropolitan regions. The imposition of a waste levy compounds these waste transport costs, increasing the relative costs of regional landfills;
- Access to recycling services is reduced for rural populations, for example, there is much more limited implementation of kerbside recycling due to the higher costs associated with population spread;
- Metropolitan areas are in a better position to reduce waste disposal and increase reuse and recycling compared to rural areas;
- Demographic trends in Australia are such that younger people tend to migrate from rural areas to metropolitan areas, reducing the available workforce in rural areas. This requires higher salaries in rural areas to attract and retain landfill personnel, pushing up operational costs. Australia's population is highly urbanised and rural areas are very sparsely populated. This pricing structure addresses the particular requirements presented by this population distribution.

A disadvantage of applying a levy to regional areas is that small regional landfills receiving <5,000 tonnes of waste per annum would remain exempt from the levy given the lack of economies of scale required to support the required infrastructure. Many regional landfills are currently unequipped to apply and administer the levy. To apply the levy regional landfills would require weighbridges, increased resources (administrative staff) and appropriate data software. Also applying the levy could potentially decrease the annual tonnage received at a facility resulting in a loss of revenue for the local government

## **Consultation Questions: Chapter 7**

### **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?***

The State Planning Strategy 2050 in conjunction with the Waste Strategy requires action to be taken to reduce waste to landfill and increase resource recovery and waste avoidance through improved strategic planning. Long term infrastructure planning was recognised in the 2012 WA Waste Strategy as essential but little progress has occurred since. Without a detailed plan to guide the state's waste infrastructure requirements there is a risk that Local Governments will have conflicting priorities and lack the resources and financial capacity to plan for longer term waste management. In the absence of any direction from the State, waste operators are more likely to focus on local priorities and more immediate commercial factors rather than longer term options that better align with the Waste Strategy. An example of this is the construction of two waste to energy facilities for disposal of residual waste located south of the river in Rockingham and Kwinana. With no similar facilities elsewhere in the Perth Metropolitan area one would expect such large infrastructure to be located further apart, perhaps in the northern corridor which is one of the fastest growing areas in WA which would enable more local governments to participate whilst minimising transport distances and costs. Considering the City is a member of Mandurah Regional Council (MRC) who operates the only landfill in the northern corridor (Tamala Park Landfill) the City will be required to liaise with MRC to determine the remaining lifespan of the landfill prior to investigating waste to energy.

In 2018 prior to the publication of the Waste Strategy the City undertook a service delivery review of its waste management services to determine the most sustainable way of dealing with the City's waste materials. A transition plan was developed which highlights the pathway required to move from current operations to proposed future operations. In line with the waste hierarchy the City's residual waste will continue to be disposed to landfill until a Waste to Energy option becomes available.

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

The Waste Strategy specifically states that '*Consistent with the waste hierarchy and circular economy approaches, material recovery is preferred over energy recovery. Energy recovery is preferable to landfill disposal but should only be applied to residual waste once better practice source separation approaches have been exhausted*'. Burning recyclable material is not a solution; it is a surrender of valuable resources. Incinerators only make use of materials for their calorific value. They are not compatible with the objectives of a circular economy. Further, as an energy source, burning waste is not renewable and it is carbon intensive. Having spent decades rolling out infrastructure and educating communities about recycling, and having earned the public's support for recycling, government needs to ensure that recycling is maintained as a policy priority. Any levies employed to disincentivise the disposal of organic materials in waste to energy facilities must not negatively impact on these historic good practices and positive messaging. A separate levy may be appropriate to increase the cost of thermally treating potentially recyclable materials (i.e. organic wastes), but one that is less than that employed for the disposal of materials in landfill. This equates with the principles of the waste hierarchy and a circular economy.

The impact of landfill diversion depends on the financial viability of waste to energy facilities. CIE finds that waste to energy facilities would become financially viable at a gate fee of \$150 per tonne and larger facilities would be viable at a lower gate fee. Depending on the technology, a large facility might reduce unit costs anywhere from 10 per cent to 35 per cent. With future levy increases and the introduction of the carbon price, landfill prices will continue to increase and therefore waste to energy facilities may become more financially viable in the coming years.

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

Higher waste levies could potentially be applied to waste disposed of at facilities that are not in line with the waste hierarchy. Waste levy avoidance is a significant driver for the stockpiling of waste and other material. There are currently no thresholds or triggers for making the waste levy payable in circumstances where waste is stored or stockpiled at waste facilities (which are not landfills) on a long term basis or indefinitely. The most prevalent materials stockpiled include soils, fill and overburden, and construction and demolition waste. Stockpiling has been repeatedly raised by industry as a significant concern due to the potential for levy avoidance through the indefinite holding of material without either recovering and selling the materials or disposing of the material to landfill. In considering this issue, there is a need to balance the reasonable need of many businesses and local governments to undertake a degree of stockpiling against the excessive stockpiling that can create environmental, abandonment or unfair competition risks. Waste stockpiling limits can be implemented through licence conditions under Part 5 of the Environmental Protection Act to prevent or mitigate pollution or environmental harm. A potential option would be if waste is stockpiled at a facility for >12months it would be subject to a waste levy unless it can be demonstrated that processing of that waste material to become a reusable material or product has commenced and/or there is supporting evidence that the processed waste will be sold or used shortly after the 12 month time limit (supply contracts). This facilitates the purpose and need for stockpiling, and facilities are effectively held accountable to this, creating a greater incentive for material to be circulated back into the economy and reducing the potential for market distortion.

***Consultation Questions: Chapter 8***

**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 the Waste Strategy 2030?***

Currently local governments are liaising with many departments (Department of Water and Environmental Regulation, Environmental Protection Authority and the Waste Authority) in relation to waste management activities. To streamline and improve efficiencies in services a single responsible Agency may be more beneficial.

The waste levy has changed significantly since it was first introduced in Western Australia in 1998, through the *Environmental Protection Landfill Levy Act 1998*. In the Second Reading Speech of the Act it was outlined that money raised through the Levy was only to be used to fund programs approved by the Minister relating to the management, reduction, re-use, recycling, monitoring or measurement of waste and administering the Fund. It was stated the levy was not to be used to fund “normal ongoing operations of the Department”.

Local Government's support of the levy was conditional on the understanding that funds generated would only be used within the bounds of these specified restrictions. The levy was set at \$3 per tonne for putrescible waste and \$1 per cubic metre for inert wastes and all collected money was hypothecated for use in encouraging recycling. The current levy is \$70 per tonne for putrescible waste and \$105 per cubic metre for inert wastes.

In 2007, the legislation changed and the levy became the Waste Avoidance and Resource Recovery Levy (WARR Levy Act). In accordance with this Act each year the Minister for Environment must allocate not less than 25% of the forecast levy amount to the WARR Account. In 2009 when the Government introduced the Waste Avoidance and Resource Recovery Amendment Act 75% of the levy was allocated to 'ongoing operations of DEC now DWER and an increase in the levy. For 2019-20 an estimated \$88 million (Table 1) will be raised from the levy, of which \$22 million (25%) will be paid into the Waste Avoidance and Resource Recovery Account for investment into waste and recycling activities. The Western Australia budget for 2019 also includes an allocation of \$4.4 million to begin implementing the Container Deposit Scheme, which is due to commence in June 2020. Monies allocated to the WARR account should be increased to 75% as was originally intended so that the levy is expended on strategic waste management initiatives rather than allocating a higher proportion of the levy on State Government core activities including the activities of the DWER.

**Table 1: 2019/2020 estimated levy raised for waste and recycling activities.**

	<b>Estimated 2018-19 (\$m)</b>	<b>Percentage (%)</b>
WARR Account	\$22	25%
General Revenue	\$66	75%
<b>Total Levy Raised</b>	<b>\$88</b>	<b>100%</b>