

Draft Proposal for a Waste Levy for New Zealand – Comment to LGNZ from Auckland City Council, June 2006

Auckland City Council officers have reviewed the draft proposal for the introduction of a levy on waste prepared by local government and waste industry representatives, and convened by the Ministry for the Environment. (Please note that these comments have not been reviewed or adopted by council's delegated committee, Works & Services.)

It is recognised that the proposal is a compromise, reflecting the views of various players including the councils party to the recent case heard in the High Court relating to the ability to impose a levy.

It is noted that the proposal has been released as a discussion paper for consideration by interested parties prior to a formal proposal being submitted to the Minister for the Environment.

Our comments are as follows.

Our preferred option is for a nationally consistent levy that is administered at a regional level.

Council's original position was that a regional approach be undertaken to set the amount, collection, administration and distribution of levy funds. The council thinks that a nationally consistent levy value is the most efficient option, but that the administration of the levy funds should be at a regional level. The region would be determined along geographic boundaries that encompass the landfills which service that particular region. We believe a regional approach is preferred for a number of reasons including the fact that:

- most, if not all, waste minimisation initiatives are likely to be regionally focused; there are limited national initiatives available.
- the country is not homogeneous; different parts of the country have their own approaches and issues and this should be recognised.
- a regional approach to administration would ensure coordination to better provide for new and existing initiatives.
- a significant number of councils are already acting or seeking to act on a regional basis

While this is still our position, if a regional approach is not a tenable option then we are prepared to support a nationally administered waste levy.

In general, council officers support this proposal for a national levy to be introduced. With regard to specific suggestions, we have the following comments.

Section 2 – What is the Proposal?

We agree with the proposal that the levy be on all waste going to "final" disposal, ie, to landfill, however, we would want to see an exemption for our landfill at Claris on Great Barrier island and any other small island landfills because of the very limited options for recovery, the very high costs already existing to transport anything off the island and the absence of a weighbridge. Cleanfills should be considered after 12 months.

The levy should be charged to all companies and individuals who transport waste to landfill.

Section 5 – What is the purpose of a waste levy

Although this is implied in the purposes given, we would suggest the addition of a specific reference to research and development and training that results in waste minimisation.

Section 8 – Should any wastes be exempted from the levy?

With regard to the remediation of contaminated land and any other responsible actions which result in waste going to landfill, we strongly believe that this should in no way be penalised. It is essential that a rebate is available. The cost implications for those carrying out remediation (which is most likely to be local and central government) is huge. For Auckland City, which has remediation work that includes a well developed closed landfill management plan and contaminated site cleanup strategy, the implications of a levy without a rebate would be expenditure in the hundreds of thousands of dollars a year.

Not to have a rebate could jeopardise work in this area and, in turn, have a negative impact for the NZ Waste Strategy's objectives for contaminated site remediation. Further, we note that eligible projects for the UK landfill tax levy monies include the reclamation of contaminated land.

Other exemptions of waste types should be provided for, eg, biosolids, illegally dumped material and that portion of separately collected and sorted recyclables that is contaminated (ie, waste).

It is essential that the criteria for, and approach to, issuing exemptions and rebates need to be developed for implementation at the same time the levy is introduced.

Section 9 - What would happen to the levy revenue?

Payment to a board

We believe it is essential that however a body is established, it is independent, transparent and accountable. See further comment Section 13.

Administration costs

While it is appropriate that administration costs of the controlling body should be kept to a minimum (the suggestion is for 2% maximum), it would not make sense to underestimate what is required and risk the revenue being inefficiently administered.

We presume the percentage is based on information from those countries that have landfill levies and know the cost of administration however we note that 9% appears to be the administration component in the UK.

Contestable fund distribution

We propose that the contestable funds be handled through a central body but distributed regionally and allocated on a population basis. Should any cross subsidy to smaller councils be proposed, it is unlikely to be supported.

It is proposed that the country could be divided into regions (based upon a geographic basis). As an example this could be similar to some other government agencies' administrative divisions, i.e. lower South Island, upper South Island, lower North Island, mid North Island and middle to the top of the North Island.

These regional funds would be allocated on set criteria (to be determined) but with guaranteed portions going to projects in local authority or council regional waste strategies.

A regional waste strategy would take cognisance of the respective individual TLA waste management plans and address joint/regional initiatives.

We believe that this approach has significant benefits in that:

- most if not all waste minimisation initiatives are or are likely to be locally and/or regionally focused. There are limited national initiatives available (research and development aside).
- there would be recognition that different parts of the country have their own issues and approaches.
- it would ensure consistency and scale to better provide for new and existing initiatives and would minimise duplication and ad hoc approaches.
- a significant numbers of councils are already acting or seeking to act on a joint or regional basis already.
- the regional application of funds is the most equitable approach.

If the above preferred approach is not approved then we think that preference should be given to those applications made to the central body that are associated with a regional waste strategy (as mentioned previously). The criteria for allocation of funds would need to recognise the importance of regional waste strategy projects and essentially prioritise them to ensure funding.

TLA Component

We think that component of the levy monies available to TLAs should not be less than 75%. This is based on the fact that councils have a legislative responsibility for waste management and waste minimisation under the Local Government Act and that in the New Zealand Waste Strategy, the seven objectives under waste minimisation are all tasked to local and regional councils and that most other objectives to reduce waste are similarly tasked to local and regional councils.

We think that the TLA component should be based on costed waste management plans that have met their statutory consultation requirements. Within these plans councils must be able to fund, through the levy, all programmes, staffing costs and recurrent costs associated with programmes and services which divert waste from landfill. These should include schemes such as kerbside and other recyclable collection schemes including organic (garden and food waste) collections. These collection services often require ongoing support from council and this needs to be recognised.

We also recognise that there will be variation between waste management plans due to resourcing and that this should be addressed in some way so that affected councils are not disadvantaged.

Section 10 - What things would the levy revenue be spent on?

We support the waste minimisation activities listed but would want the list to include research and development and training that advance waste minimisation.

We have concerns about the use of the description “sustainable” activities. The proposal notes that levy contributions would be spent on funding “innovative waste minimisation projects which require ‘start up’ support but are sustainable economically (and environmentally) long term”. There is a contradiction here in that anything innovative is inherently likely to have some degree of uncertainty. In addition, the proposal states that the levy would not be spent on “activities that are not sustainable”. How will “sustainable” be defined. This needs careful thought and clear definition. There are examples of initiatives which have had funding from the MfE’s Sustainable Management Fund which have not been given sufficient support to become sustainable.

We support that money should be allocated to assist councils in years one and two to develop or refine costed waste management plans as this will address inequities in council resources. We also support that funds not be used for any general expenditure outside the waste area.

Section 11 - How much would the levy be?

We agree that a levy should be introduced incrementally. We note that the former MfE head, Barry Carbon, stated that last year that a levy would need to be at least \$30-\$50 per tonne to have any real effect.

The council proposes that an economic impact report be undertaken following year three to assess the levy impact. Subject to the findings of this report the levy amount, if not \$50 per tonne by year 3, would continue to ramp up to this amount after year three.

At year 5 a further review would be undertaken.

Section 13 – Who would collect and administer the levy revenue?

We note that the footnote states that further work is needed on the definition of the point of disposal, mentioning incineration. Auckland City has not supported incineration in its waste management plan because of the potential to work against waste reduction, especially at source.

We agree that the make up of the governance of a board to administer the fund should be drawn from sources that are as impartial as possible. We think that the role of the board should include an active role in useful best practice, and the rigorous evaluation of initiatives that includes monitoring and reporting back of results.

Section 14 – What are the benefits and costs of introducing a waste levy?

We think that the benefits should include resource efficiency – it is widely recognised among those involved in waste minimisation that the inefficient use of resources results in waste.

For Auckland City, which does not have a user pays charge for rubbish, there will be significant costs associated with the introduction of a levy. We recognise however that this will be an important incentive and driver to divert more waste from landfill.

A levy is likely to have a positive impact upon product stewardship initiatives as it should further encourage these programmes and if they are operating effectively then they will not attract a levy charge.

We would expect that there will be negative impacts on TLAs through increased illegal dumping which will result in increased costs for collection, enforcement and disposal which will also incur a levy under this proposal, unless exempted or if a refund can be sought through a rebate.

We note in footnote 11 that assistance is sought from councils and industry that have considered the costs and benefits of levy implementation and administration. We think it is unlikely that there would be this knowledge in New Zealand and that this would be need to be sought from experience overseas.

Section 15 – What would a waste levy mean for households and business costs?

We would expect that costs will increase for households and businesses that create waste that is disposed of to landfill. They have the ability to control and avoid these costs through reduction of waste to landfill however, which of course is the point of having a levy. The reduction of waste to landfill is consistent with councils' responsibilities to manage and reduce waste under the LGA.