



To: Ministry for the Environment

From: Community Recycling Network Aotearoa New Zealand

Date: 16 June 2006

Subject: Submission to Ministry for the Environment re current status of the National Waste Levy Proposal

New Zealand's Community Recycling Network (CRN) has been established to further strengthen existing and emerging community based groups involved in recycling, reuse, composting, waste reduction and waste education activities.

CRN does this by:

- providing support to communities dedicated to improving their environment and their local economy by treating waste as a valuable resource
- acting as the main point of representation and contact for community enterprises actively involved in the waste management and minimisation sector
- enabling the community sector to have a stronger voice and role in the future of waste minimisation and recycling in New Zealand
- fostering working partnerships between its members and local authorities and businesses working towards Zero Waste
- providing development support and advice to member organisations, particularly in terms of business advice, training, mentoring and market development

Currently, CRN represents 25 community waste enterprises and has 'commonalities' with a further 15 or so community groups associated with waste reduction and waste education activities.

Part 1 Waste Levies – Should we have them at all?

CRN supports in principle the establishment of a fund to encourage waste minimisation and diversion of waste to landfill. We agree that a levy on waste disposed to landfill would be an appropriate way of gathering these resources.

Reasons for this include

A. The potential for provision of investment capital for a growth industry returning low economic margins and high social and environmental value

We support the concept of developing a pool of capital to fund achieving the outcomes and targets of the New Zealand Waste Strategy. There is currently no adequate income stream for the development of an integrated waste reduction/resource management system.

The past ten years have seen the public come to accept there is a real cost, in present and future terms, associated with the landfilling of 'waste'. Public willingness to fund the true cost of effective resource recovery strategies and programmes is in it's infancy. Many Councils struggle to find the political and ratepayer support they need for the capital and operational costs associated with establishing recycling programmes. This is especially difficult in the early stages where rubbish and recycling programme are running in parallel.

B. The nature of Community Enterprise

Community groups tend to operate on the economic fringes, where commercial operators cannot make the 'rational' economic decision and take on what appears to be a loss making venture. It is extremely difficult to borrow money to establish infrastructure with a business plan that shows only social, cultural and environmental profit. Some groups handle standard materials in areas where distance to markets and low population density make service provision theoretically unviable. Others take on many marginal product lines that in themselves do not turn a 'profit'.

The community sector diverts from landfill a higher proportion of waste than any other sector. Our work is aimed at fundamental change and our unique ways of communicating and delivering services to our customers offer real solutions and opportunities for participation in household and business waste reduction. There is a strong sense of association with, and local ownership of, community enterprise. Many people care deeply about the places they live in and the community they share them with. People are hungry for ways to engage with sustainability on a practical, day to day level.

The community sector can be very successful in making sustainability meaningful in a specific local context. The tools and strategies employed are tailor made for the people of the area. We would encourage an approach to Education for Sustainability that saw general principles adapted and applied in a local context. One to one communication is the most effective way of passing on a message so that it is heard and understood by the receiver. Many community enterprises have high foot traffic through reuse shops, drop off facilities and other activities off site in their communities. This willingness and ability engage with the community on an individual basis this is one of the keys to their success.

Those involved in Community Enterprise are skilled at negotiating the decision making minefield that is triple bottom line thinking. They can see that the benefits that accrue to their communities are social, cultural and environmental profits that will benefit generations to come. It is unwise to attempt to translate these values into monetary terms. Each has its own complications and specific nature and the decision making process that involves trading one off against another is best kept explicit. Economists have developed many tools, mirroring intuitive techniques, that can be used for making decisions that take into account the relative value and necessary trade offs between competing objectives (Pareto Optimality for example).

C. Depth of Vision

Waste Minimisation and diversion from landfill are key components of the Waste Hierarchy model commonly used to represent the layers of strategies that can be applied in moving towards Zero Waste.

It is a useful tool for developing a set of priorities for taking action. Waste Management tends to focus attention on the bottom of the cliff strategies by minimising harm associated with landfilling and recovering easy access materials for recycling.

The big wins come from moving further up the stream to where key decisions are made regarding production systems and consumption patterns.



These areas can be the ones where it is hardest to establish a directly linked result and can be the most difficult to fund. The work done in these areas is aimed at fundamental behavioural change, funding this 'change communication' is often compromised by the lack of any real financial support from local or regional councils.

Resource Recovery as an industry is becoming more economically viable, especially in bigger centres as the idea of paying for the service of recycling becomes accepted. Eventually the public will come to accept paying for these services as a necessary transaction cost of their work and home life.

Waste Minimisation and diversion are not, in themselves, going to resolve our waste/unwanted material problems. However engagement with simple techniques like household recycling programmes can be very important first steps for many people looking for practical ways to act sustainably. Community Based Social Marketing demonstrates that once people take one step towards sustainable behaviour they are far more likely to take another. It is best if a range of strategies are used simultaneously.

D. Emphasis on Zero Waste as a policy guide

The NZ Waste Strategy envisions a move *'towards ZERO WASTE and a sustainable New Zealand'*.

Zero Waste is an holistic approach, providing;

- a **Philosophy**; aimed at eliminating rather than managing waste and changing the way materials flow through society
- a **Toolbox**; including the Waste Hierarchy; Redesign - Reduce - Reuse - Recycle - Refuse. This encompasses the whole life cycle of a product from design oriented elimination of waste at source to end of pipe diversion to recycling and the storage of waste in our land
- and a **Destination**: a waste free world with sustainable local social-economies.

We strongly encourage the rationale underlying the introduction of waste levies to maintain a clear focus on ZERO WASTE as the key strategy for moving into the future. We support a much wider vision for the future of waste reduction than the draft National Waste Levy Proposal (NWLPP) prepared for comment would encourage.

E. Production and Consumption

A focus on waste minimisation and diversion alone is not broad enough in scope to effect any real change regarding consumer behaviour and expectations or production /manufacturing systems. A levy on all solid waste going to "final" disposal facilities (in landfills and waste incinerators, etc.) in New Zealand is not the whole solution to New Zealand's growing waste dilemma. CRN does not see the fund / levy replacing the urgent requirement for legislation supporting Container Deposits and Producer Responsibility. We support putting the onus on the producers, manufacturers and brand owners for more long-term responsibility for the life of their products and packaging. The weight of funding the recovery of unwanted material should fall on the producers and consumers. Currently the responsibility and cost of responsible resource recovery tends to fall on local councils, communities and ratepayers.

F. Recreating the undistribution system

Natural systems are based on continuous cycles. Our society has valued and prioritised production and distribution. Resources have traditionally been

undervalued largely due to the extremely short time frames used to organise decision making (fossil fuels).

The resource recovery system is the withered limb that attempts to move resources back around into the loop. Building this system poses a chicken and egg dilemma. It could be cost effective to reuse or recycle if there was an established system for recovery but until it 'pays' to set this up the market will not provide it. A levy based redistribution system could give the necessary kick start to get this industry up and running. We all remember the bottle drives of the 1970's and how they were valued by all parties in the chain.

In New Zealand most of the major primary production industries have benefited from decades of government support in the form of grant programmes, funding support for research and development corporations, university research programmes and cooperative research centres. Compared to this, apart from the National Waste Strategy 2002 and attempts at voluntary product stewardship programmes the level of industry development support for waste minimisation and resource recovery has been negligible.

G. Baring some Teeth

There has been a lot of debate over whether the Carrot approach or the Stick approach is more successful in encouraging behavioural change. The waste/unwanted material dilemma presents us with the situation where desirable outcomes, i.e. socially and environmentally sustainable local economies, are not provided through the action of the Free Market alone. There is a strong tradition in New Zealand of public goods being provided by Central, Regional and Local Government. We would justify the application of Waste levies and the implementation of EPR and CDL schemes in these terms.

We support Central Government leading from the front, developing policy that supports innovators and achievers. We also see value in Government following up behind, emphasising that certain forms of behaviour such as wasting resources are not considered acceptable. Laissez faire has had its day and business tends to operate best in an environment with clearly established boundaries.

The pincer grip or 'paired signal' of the financial penalty creating a disincentive to throw away unwanted material alongside fostering the development of a comprehensive resource recovery system creates both the desire and the opportunity to act more sustainably. The two go hand in hand. Many community groups began operating Resource Recovery systems because no one else would do it for them. They wanted to be able to 'do the right thing' but no opportunity existed.

The added cost of disposal makes a number of recovery projects viable in a relative sense. At the same time it provides a pool of capital to use in the establishment of the systems required. The user pays principle has a broad appeal, both the left and right wing can see the logic in the arguments albeit for different reasons and it is likely that support for this proposal will be drawn from across the spectrum.

Perhaps most important is the symbolic weight of valuing the goal of waste reduction and backing it with a substantial transfer of resources. The business 'environment' is a social construction in that the rules of the game are negotiated and change over time. Symbolic and practical support for making what have previously been externalities a more conscious part of the decision making process of both producers and consumers will have a significant impact on behaviour over the long term.

H. Issues of advantage – winners and losers

As with any change in policy there will be winners and losers. The creation of a levy based pool of funding would significantly change the nature of the activity in our sector. Waste management companies have said they do not want levy funds to be used in ways that would affect the competitive structure of their industry. Almost any spending would affect the competitive environment in which the community sector operates.

Experience has shown that once councils have secured ratepayer support or other income streams for fully funded resource recovery systems they often see community organisations as second best to profit making ventures. The community organisation has to compete, through the tender process, on the level playing field with Waste Management or Envirowaste, all very David and Goliath. There can be an expectation that because the community sector was willing/able to operate on the smell of an oily rag for the benefit of their community while resource recovery was not viable in an economic sense that they are able to do this over the long term.

It is likely that the capital investment potential created through the levy process could effectively destroy the community sector. We see little point in moving to the brave new world of 'resource recovery management' with the big waste companies becoming the big resource recovery companies. Waste management companies currently have no motivation to reduce waste because disposing of it in landfill is their core business. The more they dump the more money they make. This ethos could easily be carried into the recycling industry. More recycling, more economic activity, more profit. But not necessarily more value.

The community sector while working towards high diversion targets, and actively encouraging recycling, realises that more recycling does not necessarily equal a more sustainable social-economy. The irony is that while more recycling is good, an economy that required minimal recycling would be

better. Drinking more coke means your recycling crate fills up faster but it's not necessarily good for you or the planet. Recycling and diversion are bottom of the cliff strategies. Essentially they reduce harm. As the waste strategy points out 90% of the resources we use are thrown away during production and 80% of what we produce is thrown away after a single use. There is a lot of room to have an impact on reduction earlier in the process.

A national waste levy would send a clear message to all who produce, reduce and manage waste, that the growing waste issue is being addressed, taken seriously, noticed and valued. At the same time it would provide economic disincentives of sending waste to landfill and generate 'investment capital' providing opportunities for those already working in resource recovery to do so more sustainably.

The tricky part will be managing the process of distributing the advantages that access to the levy funds would bring. We are talking about a whole lot of money! Anything up to \$100m per annum is on the table, an incredible jump from the funds available through the SMF.

Implementing a national waste levy involves a massive transfer of resources. The structure of investment for waste minimisation and resource recovery will be turned on its head. Careful management and targeting is crucial if a national levy is to be seriously considered.

Resource Recovery is a growth industry, worldwide business is booming. The EU directives have driven massive investment in Britain and Europe. Diminishing opportunities for waste management companies mean that these companies are aiming to set themselves up in the growth industry side of the waste equation. If they can do this with the assistance of huge capital investment generated through accessing a contestable fund then, they will. CRN is concerned that, now that the large waste management companies have monopolised much of the waste management industry including contracts and landfill ownership, and exhausted the options for further waste management expansion, that their support for a national levy is motivated by pure economic incentives to expand into resource recovery – namely, access to the contestable fund.

Negotiating the rough waters, where powerful and not so powerful stakeholders vie for the opportunity to access this pool of resources will require that the cards of the various interests are laid on the table and some hard decisions will have to be made regarding how the funds are to be allocated. Many of the big organisations have access to capital of their own but would benefit from Councils having the funds to purchase services they currently cannot justify to their ratepayers. Councils would obviously be pleased to secure funds for waste minimisation initiatives from a source other than rates.

The community sector may or may not benefit from the change. The priorities established for guiding the allocation of funds will be the determining factor.

Part 2

The draft National Waste Levy Proposal

The proposal put forward for consideration outlines one way forward and it is encouraging that it has the support of a range of players. It is important that the perspectives of a wide range of stakeholders are considered and we appreciate this opportunity to be involved in the debate. It would be very interesting to read the opinions of other players in the debate, we think making submissions available for general consideration would be of value.

We look forward to the opportunities that will come this year to be involved in the broader waste industry debates.

We have considered the proposal at hand and make the following observations;

Final disposal

We would like to see clarification of the definition of 'final disposal'

Incineration, meaning the incineration of mixed, unsorted waste, is also described as 'final disposal'. Where does this leave projects aimed at energy recovery? If plastics used in the future for energy recovery and fuel are considered 'final disposal', will this create a perverse situation whereby sending waste to landfill is an easier option?

If "waste for final disposal excludes waste that is recovered, reused, or recycled for some beneficial purpose such as making paper, compost, glass and plastic products, whether in New Zealand or overseas", can this be interpreted as automatically removing any Extended Producer or Product Stewardship responsibility from manufactures and industry generating waste through the sales of their products?

Where will a waste levy be applied? Only to those parties managing the final disposal of waste (ie: landfills and waste incinerators) or also imposed upon those parties generating waste ie: producers of packaging waste?

How will a waste levy affect those parties already signed up to Product Stewardship schemes like the voluntary Packaging Accord which has 200 participants?

Rationale for charging by tonne

CRN questions the basis on which the NWLP suggests the levy be charged. We can think about waste by weight, by volume or in term of harm done. Tonnage has the advantage of simplicity of operation, however all materials are not equal in term of the space they take up in a landfill. By volume, one tonne of PET or polystyrene diverted from landfill is far greater than one tonne of concrete. CRN calls for further discussion regarding a charge on the basis of the weight of waste. An across the board levy on each tonne would be compromised when measuring the volume against the mass of specific wastes.

The NWLP does not differentiate between wastes on the basis of environmental impact. The toxicity and biodegradability of different wastes are environmental issues that must be considered when proposing to implement a national waste levy. The same levy should not be applied to one tonne of concrete as to one tonne of electronic scrap because the environmental impact is markedly different. The NWLP is not specific enough to suggest the same levy be applied to industrial hazardous waste as to household waste?

Exemptions

The suggestion by the NWLP of exemptions or 'circumstances where it would be unreasonable, unfair or even environmentally inappropriate for a levy to be charged', leads CRN to question who, at the end of the day, will be colouring in the different shades of grey with regards to exemptions? How exemptions may be determined, under which circumstances and by whom? CRN questions in advance the 'discretion' of the "Board" to offer its approval to claimed rebates, clearly specified or otherwise.

Equal Opportunity

CRN is uneasy about the suggestion in the NWLP that in 'many circumstances payment of the levy could be avoided by ensuring cleaner production'. Larger businesses that have the economic impetus to implement cleaner production may do so but smaller business often don't have the staff or budget to implement the necessary systems and technology required to 'upgrade overnight'. The mere suggestion that 'payment of the levy could be avoided' raises alarm for CRN. Is this suggestion another example of big industry getting bigger through 'tax avoidance' whilst small to medium sized businesses continue to abide responsibly 'by the rules'?

Who will bear the brunt

Also, CRN has concerns that the cost of a levy as proposed in the NWLP would flow disproportionately back to householders. That large waste management companies who, in many cities, towns and districts dominate waste collection and 'disposal' services, will pass the cost of the levy on to the householder rather than make efforts themselves to minimise waste.

National levy vs Local or Regional levy

The debate over this has presented some conflicting responses from our members.

A local/regional approach to waste levies could be an effective way of targeting monies and developing cohesion with council waste management plans. Currently each council is obligated under the Local Government Act to write waste management plans setting their targets in accordance with those outlined in the New Zealand Waste Strategy 2002.

If designed properly, a regional approach to waste levies could work. Relationships between CRN members and their LTA have been fostered over the years and many community waste enterprises now have contracts and solid, sound, constructive working partnerships with their LTA. In many cases, the administration of funds to groups and businesses would best be delivered by an authority that was 'intimate' with the group, business or industry regionally located.

However, given that many councils' suffer from a high staff turn over, one of the challenges experienced by community as well as commercial waste sector groups is the frequent need to educate council staff on the matters at hand. Councils' cannot always be relied on to administer the levy funds in the most beneficial way. It can be difficult to obtain information on what locally captured money is spent on with in a certain budget category, councils are reluctant to divulge to the public the split between practical strategies, capital works, operational flows, consultancy, legal fees and staff costs. CRN has concerns that some LTSs may not have enough suitably qualified staff to allocate strategically the funds to productive practical strategies. There could be an advantage in locating the layer of prioritisation, administration and bureaucracy at the Central Government level in terms of gathering staff with the required skills and reducing duplication of effort across the country.

The Board

How will the composition of the board be determined?

Would the "Board" be evenly represented by the differing waste sectors? Would it be made up exclusively of waste industry representatives or would individuals whose profession is not related to waste, manufacturing or industry also sit on the "Board" to offer an 'unbiased' or objective view on all decisions made? Would Community and appropriate NGO representatives have the opportunity to sit on the "Board" or would it be weighted towards government officials and representatives of the large Waste and Recycling companies?

CRN supports the establishment of a national committee to supervise this fund, with a minimum term served on committee of two years. Community

Recycling Network supports a representative from each of the following being on the committee:

- RONZ (Recycling Operators of NZ)
- CRN (Community Recycling Network)

Both are national representative bodies for their members whose main focus and involvement is in waste minimisation and resource recovery.

CRN does not support the waste management and landfill companies administering or running the fund, and requires transparency on charges from the waste management companies on administering or collecting the charges.

It would also be valuable to have a representative from the select group of individuals who have moved their communities above 50% diversion as they will have a sound practical appreciation of what is required to achieve this. The pool of individuals to draw on for this role will no doubt increase rapidly once the new incentives are in place.

Treat it as Investment capital

Assuming the policy change is effective the money made available through this levy system will decrease over time. It is essential that the funds are used to establish the social and physical infrastructure required to deliver the sustainable future. It is important that funds are treated as investment capital rather than operational cash.

Guiding Principles

Some key considerations for determining the value of applications need to be developed. They need to be clear, strategic, long term, precise and robust. Obvious starting points are contribution towards;

- the common good - ie establish public rather than private assets
- building towards the achievement of long term goals with an emphasis on sustainability rather than resource recovery management
- Resolving issues for the smallest community in the most remote area? Regenerating the most endangered, polluted and under pressure places? Encouraging the poorest people to act differently?
- Investment in Education for Sustainability – investing in a five year olds ability to make thoughtful choices about their production and consumption choices can deliver benefit for the wider community throughout their whole life. Deliver these projects locally so they remain meaningful for each community.

We would like to see key guiding principles developed in consultation prior to the establishment of the 'board'. The role of the board would be to give effect to and refine rather than develop these principles.

Key factors to be considered are:

Capacity to access funding needs to cover a broad range of players from large organisations and local authorities, through to NGO's and sturdy more-than-profit organisations, to small groups and individuals.

It would probably be useful to have a predetermined split established for the various stakeholders. The proposal suggests a split between a contestable fund and population based allocation to Local Government.

We would like to see the criteria and the rationale for any division openly debated prior to establishment of the fund.

Possibly adjust the complexity of the application, reporting and accountability process according to the size of the request. Large projects would encounter a higher level of risk aversion, require longer lead times and a higher density of information for applications and reporting. Small grants could be available for higher risk projects such as scoping out innovative ideas or developing costing structures. A range of different lead times would give a degree of flexibility. Big projects might be assessed on an annual basis, small ones quarterly.

Another way of allocating funds could be to make a proportion of the fund available as either low interest or venture capital loans. Many community enterprises have the income stream to service a loan but do not have the asset base or structure to fit loaning criteria. Some individuals have to give personal guarantees in order to access the capital required to progress their organisations, exposing themselves to risk without any personal reward. Perhaps a special fund for this purpose could be set up and administered by an existing organisation like Prometheus ethical Finance to minimise administration costs.

Consideration would need to be given to issues related to who has access to capital through existing channels now and what gaps exist in service provision so that the best use can be made of the fund. Some activities are readily funded in the current economic climate and should not be included in the process.

Issues will also arise with the division of funding across sectors, and geographically. There would have to be scope for priorities to change through time as more pressing issues are successfully addressed.

We would want to see 100% transparency in the process, many Community Based Grant Organisations publish an list of organisations funded the purpose and the amount so they remain accountable to the community and this would be a useful model. Perhaps an online record could be kept with an update to show whether or not the objectives of the project were achieved.

Organics

Long term, multi value initiatives such as the design, development and delivery of systems for collecting and processing organic wastes should be given priority. This is in keeping with the holistic perspective we advocate. Organics diverted from landfill benefit us in many ways. Less harm is caused through reduction of methane and leachate, void space is preserved in landfills and our soils mineral, trace element and organic content are replenished when we return organics as mulch or compost.

The future – where is it?

It is important that a thorough discussion is held at all levels on the issue of a national waste levy and that this discussion is not rushed or pressure cooked. Zero waste is a valuable model. The principles behind it have been enshrined in the National Waste Strategy and these should be brought to the fore as philosophy, methodology and destination in the waste reduction 'marketing campaign'.

CRN recommends that if national waste levies were to go ahead, the fund generated be reinvested into waste minimisation, resource recovery, education (including school and tertiary levels as well as public and business education campaigns), and the design and implementation of strategies that tackle resource depletion, environmental degradation, and climate change.

We have to change the way we do things, the way we communicate, the way we deliver and the way we value. We need to rethink, redesign and reduce the way we produce waste in the first instance.

CRN believes a wider vision encompasses zero waste and the revaluing of the entire waste hierarchy and that local and central government as well as community and commercial waste companies must make long term strategic decisions regarding the future of resource recovery management in New Zealand.