



OUR REF waste levy
JBG: SB

19 September 2018

Committee Secretary
Innovation, Tourism Development and Environment Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Sir / Madam

RE: Submission on the Waste Reduction and Recycling (Waste Levy) and Other Legislation Amendment Bill 2018

Mackay Regional Council wishes to make the following submission on the *Waste Reduction and Recycling (Waste Levy) and Other Legislation Amendment Bill 2018* and thanks the Committee for affording the opportunity to make comment on the proposed Bill.

As a leader in the management of waste, recycling and the recovery of valuable materials in Queensland, Council has invested significantly into a strategic, integrated waste management approach, underpinned by the assets required to service our community over the past 15 years. As Council has based its waste management strategy on the current State Waste Strategy, it has an interest in the future directions that the Queensland Government is currently developing.

The Committee is considering submissions on any aspects of the proposed Bill and Council would like to submit the following items for consideration.

Waste Levy – Rate

Currently the draft regulations propose a \$70 per tonne waste levy initially on Municipal Solid Waste (MSW), Commercial and Industrial Waste (C&I), and Construction and Demolition Waste (C&D) and higher amounts for specific regulated wastes.

Council's view is that this rate is too high for the 2019 commencement. As referenced in the Explanatory Notes associated with this Bill, a waste levy has been in place in other jurisdictions for many years. When these jurisdictions introduced their waste levy, they commenced with a lower rate to enable local governments and industry to develop alternative processes and systems that enabled the community to "avoid" the levy.



New South Wales and Victoria's current waste levies have been arrived at over a nine year and a six year time frame respectively, with substantial escalation. The starting rates were considerably lower. This allowed time and certainty to industry to develop and invest into alternative waste management systems.

Also, the current draft *Waste Reduction and Recycling (Waste Levy) Amendment Regulation 2018*, states a single waste levy rate for the entire waste levy zone. This is an inconsistent approach compared to other jurisdictions that currently impose a waste levy. Both New South Wales and Victoria have distinct rates for the metropolitan and regional areas that are substantially different. This is to recognise the challenge of transportation in regional communities. Capital investment will more likely occur in the larger population centres first, as there will be a faster return on the investment. Regional communities need support to work towards the new state waste strategy and having a \$70 per tonne levy from commencement, will have detrimental impacts on regional communities compared to South East Queensland.

Generally, in Queensland, there is an absence of alternative waste treatment processes to enable waste generators to avoid the \$70 per tonne waste levy. This is particularly acute in regional Queensland. For Commercial & Industrial waste, the choice will be to either pay the levy or potentially use illegal means to dispose, as there are currently no alternative processes. Council is very concerned about the potential for significant increased illegal landfilling and dumping activities.

Also, the waste levy commencing at \$70 per tonne, is to provide a disincentive for interstate transportation of waste. However, the likelihood that material will be transported further north of South East Queensland (SEQ) is reduced markedly due to the distances involved. Also, most regional Local Government landfills already have significantly high gate fees compared to SEQ, due to the lower tonnes being managed for the similar capital outlay. For example, Council's landfill gate rate of \$120 per tonne already makes the proposition of interstate waste arriving, very unlikely.

Council urges that the Queensland Government consider a two-band levy system which is consistent with New South Wales and Victoria, with a differential between metropolitan and regional areas. Also, Council urges that \$35 per tonne is the commencing price point for regional communities, with a clear escalation over 10 years to provide certainty to industry. Council recognises that it would mean a lower revenue stream initially and that the escalation would need to be significantly higher than what is being proposed.

Waste Levy – Rate Escalation Timing

Currently the draft regulation commencement is set for the 4 March 2019 and the annual increase for the waste levy occurring on 1 January each subsequent year. The outcome will be that each Local Government in the levy zone will be forced to change their waste management rates and gate charges on 1 January each year. This change will be in addition to any annual fee changes due to the normal Council budget adoption process occur at 1 July.

The annual 1 January waste levy escalation will duplicate the effort that is required to engage with the community and the administration that will be required to implement the increase. The duplication will include:



- Informing the community of the price change;
- Updating systems to accommodate the change;
- Updating signage, website, written information; and
- Managing community feedback about the increase.

The last point could potentially place the state government and Councils in a difficult position to explain to the community the increase twice per year instead of the current practice of a single annual price change.

Waste Levy – No Direct Impact on Households

Council wholly supports the Government's position that the levy is to have no direct impact on households. However, the current draft Regulation reflects the proposed 105% payback method for the waste levy impact on Municipal Solid Waste. Council's view is that the Waste Levy should not be applied to Municipal Solid Waste in the first place.

Council does not support this proposal for the following reasons:

- There is the potential of the waste levy payback on Municipal Solid Waste to be reduced or removed into the future. This might be done without consultation or sufficient time to enable Local Governments to provide alternative treatment of Municipal Solid Waste to remove the levy liability of this waste stream. For example, the removal of the waste levy in 2012 caused disruption to committed capital planning for waste management services;
- The draft legislation only provides a payback until 2022. With no certainty it makes it very difficult for any business planning to introduce any new alternatives to treat Municipal Solid Wastes; and
- The majority of the 105% rebate, will be used for preventing increase of residential rates (this is the Queensland Government's intention) and for population growth, leaving very little to fund waste diversion activities for Municipal Solid Waste. Without additional funding, there will be no investment in reducing or diverting Municipal Solid Waste tonnes from landfill, without additional costs to householders.
- The draft Regulation (Section 20 (1)) proposes that an adjustment is made for each year based on the project change in the local government area for each annual payment. This is concerning as population change may not be the only driver for a change of Municipal Solid Waste landfilled. Economic conditions also drive this change. For example, for the landfill at Mackay Regional Council from 2007 to 2013 the average annual increase in waste to landfill was 7%, followed by 3 years of 10% annual contraction. These changes were beyond population change and demonstrates that there is no linear relationship of waste generation to population change. Currently, economic conditions are improving for the Mackay region and it is expected that waste generation will increase and possibly beyond population change. Potentially the annual adjustment for the advance payment may be not sufficient to cover the cost of the waste levy on Municipal Solid Waste. It would not be misinformation to inform the community about that deficit, if the current proposed model to adjust by population change is to be implemented.



- Council is concerned that Section 73D (4) of the Bill, proposes to oblige Local Governments to state on their rates notices, to inform ratepayer of the amount paid to Local Government and the purpose of the payment for Municipal Solid Waste. It is already a challenge to inform ratepayers of all the information that is required to be placed onto rates notices and adding this requirement means that relevant information is becoming crowded out. This information should be placed onto Council websites and adopted budget revenue statements. The obligation in the Bill to place this onto rates notices is onerous and overzealous. The Bill proposes in Section 73D, clear obligations on Local Governments not to misinform ratepayers and this should be sufficient to ensure that ratepayers are correctly informed of the payback for the waste levy on Municipal Solid Waste.

Council does appreciate that comments on the recent *Transforming Queensland's Recycling and Waste Industry* Directions Paper appear to have been considered during the drafting of the Bill and the associated Regulation, particularly the inclusion of self-hauled waste, waste generated from street sweeping, waste collected from public rubbish bins and waste generated from maintaining a public space, including for example a public garden and public park. However, Council is still very concerned about the cost impacts of the waste levy on its core services waste generated by Council operations in providing services to the community.

Unfortunately, what is proposed is the 105% Municipal Solid Waste payback does not include the levy costs applied to Local Governments providing core services to its residents, such as waste generated from road, water and waste water maintenance activities. These operational costs are part of the costs that are passed onto to residents through their rates. The waste levy costs for these activities will be also passed onto residents and therefore the objective of having no direct impact on households has failed to be met.

Waste Levy – Exemptions

Council does appreciate that comments on the recent *Transforming Queensland's Recycling and Waste Industry* Directions Paper appear to have been considered in relation to materials used for construction of landfills. It is appreciated that exemptions have now been made which will greatly assist in not causing a direct impact on cost for households.

It is noted that some exemptions, such as for an application relating to charity waste, is by application. Council is concerned that with the commencement date of 4 March 2019, that the Department of Environment and Science may not be resourced sufficiently to inform and administer this requirement. This was an issue when the previous waste levy commenced in 2011 as the amount of administration required to implement this state-wide is significant.

Waste Levy – Discount

Council appreciates the draft legislation provides discounting of specific waste streams in relation to recycling and resource recovery and further transitional arrangements for existing recycling facilities.



Most Local Governments operate some form of resource recovery or “tip shops” at their transfer stations and/or landfills. It is very unclear how a Local Government can demonstrate the efficiency of a “tip shop” with the amount of residual that is produced versus to what is received for these facilities. Generally, apart from scrap steel, paper and cardboard, everything else is received as an item or as an object to be reuse or repurposed. With that process there is inevitably waste generated. Placing an arbitrary threshold on these could cause the perverse outcome of less materials being accepted at these drop offs and residents are directed to send material that goes to landfill as Municipal Solid Waste, as the resource recovery facility will have to be much more selective on what can be accepted.

Council appreciates the transitional provisions for the residuals from Council’s Material Recovery Facility (MRF) is exempt from the levy if it meets the threshold until 2022. However, it is concerning that an arbitrary number of 15% as the threshold efficiency has been determined. While our MRF will meet this, there will be a significant number of Council operated MRFs in Queensland will not be able to meet this exemption. Those Councils will have to pass those costs back onto residents that receive a kerbside recycling service. This is a perverse outcome where waste from a kerbside general waste bin for a resident will be not be waste levy impacted, whereas waste from a kerbside recycling bin will be waste levy impacted. This will be the outcome of the proposed legislation.

With the transitional arrangements ending in 2022, it is very unclear what happens to residual wastes from Council operated MRFs post that date and what is the criteria to be met. The regulation states efficiency thresholds for specific recycling streams, but there is no stated threshold for comingled recycling, in which the majority of Council operated MRFs in Queensland operate.

Waste Levy - Bad Debts

Section 72K of the Bill outlines the eligibility for bad debt credit, after insolvency or bankruptcy of customer. Section 72K (1) (e) (ii) states that the if the service delivery charge (excluding GST), was more than the waste levy amount, then it would not be eligible for a bad debt credit.

Most regional landfills in Queensland have gate charges that are higher than the waste levy amount. In effect, this section means that most regional Local Governments will not be able to make an application for bad debt credit in relation to the waste levy. It has not been explained why that this should be a requirement for eligibility. Retaining this would signal that this is a deliberate mechanism, so that no bad debt credits will be provided to the majority of Local Governments for the waste levy component, as most will not be eligible due to this requirement. In effect the bad debt risk for the waste levy amount has been passed onto Local Governments, even though this is a State Government levy.

Waste Levy – Proceeds

Waste levy revenue forecasts in the 2018 Budget has estimated \$1.22 billion over the forward estimates up to 2021 – 2022. The budget allocated \$427 million to be expended over the same period on waste related programs. It is very unclear how the remaining unallocated funds will be allocated and used. Council is very concerned that



the majority of the funds raised by the waste levy will not be used on waste management and improvements to the industry and are interested in the intent on how it will be used. Current funding may preclude opportunities to reform the waste industry thoroughly so that the state government achieves its primary objective to transform waste management in Queensland.

Again, Council wishes to thank you for the opportunity to provide comment on the aspects of the *Waste Reduction and Recycling (Waste Levy) and Other Legislation Amendment Bill 2018*.

Please do not hesitate to contact the Waste Services Manager, Mr Jason Grandcourt by telephoning _____ or email _____ should you require further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Andrew Knight".

Andrew Knight
Acting Chief Executive Officer