



# Mount Isa City Council Submission to Queensland Parliament on Waste Levy Bill 2018

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## Contact

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## Executive Summary

- Mount Isa City Council requests that the Waste Reduction and Recycling (Waste Levy) and Other Legislation Amendment Bill (the “Bill”) and its associated Draft Regulation be further amended to specifically exclude Mount Isa City Council Local Government Area from the “Waste Levy Zone”.
- The inclusion of Mount Isa City Council Local Government Area in the Waste Levy Zone is based solely on population level – a highly arbitrary policy basis – and ignores and gives no consideration to multiple other relevant factors such as remoteness, high transport costs for waste, already high living costs, and the almost certain inability (due to low volumes and high transport costs) of Mount Isa to successfully bid for funding under the Queensland Government’s announced \$100m Resource Recovery Industry Development Program.
- It may be the case that the rate of the Waste Levy Rebate, which we note will be governed by Regulation pursuant to the draft legislation, could be reduced from 105% to 0% by 2022.
- Mount Isa’s inclusion in the Waste Levy Zone is in direct conflict with the stated policy position in the Transforming Queensland’s Recycling and Waste Industry Directions Paper which expressly stated that the rationale for the exempted areas from the Waste Levy Zone was that “[the exempted areas is due to] the special needs of remote Queensland communities and removes the administrative cost of collecting, remitting and reporting against the levy.” Mount Isa and Camooweal are surely remote locations.
- It is important to note that Mount Isa City Council fully recognises the social and environmental value in reducing landfill and recovering waste resources and that Mount Isa City Council has nominated to be a refund point operator for the Container Refund Scheme. But the remoteness of Mount Isa requires that it be excluded from Waste Zone Levy, and this is borne out by the existing exclusion of Goondiwindi, a less remote local government area, despite it also having a population over 10,000 and having been included in the previous 2011 levy zone.

# 1. Issues Related to the Bill

- Mount Isa City Council requests that the Waste Reduction and Recycling (Waste Levy) and Other Legislation Amendment Bill (the “Bill”) and its associated Draft Regulation be further amended to specifically exclude Mount Isa City Council Local Government Area from the “Waste Levy Zone”.
- Section 43 of the Bill stipulates that the geographic definition of the Waste Levy Zone will be determined by Regulation (as set out in Schedule 2 of the Draft Regulation) but makes no mention of the criteria required to underpin this determination.
- Relevant Queensland Government documents make reference only to a minimum population level of 10,000 as the sole criteria for whether a Local Government Area is included in the Waste Levy Zone, and make no reference and give no consideration to multiple other salient facts which should be taken into account for such a policy decision such as remoteness, transport costs, living costs, or the ability of a Council to efficiently and successfully access private or public capital to build recycling centres such as the Queensland Government’s announced \$100m Resource Recovery Industry Development Program.
- We believe a more considered approach is required in order to design a more targeted policy that is more likely to contribute to the Government’s objectives (see the related LGAQ submission on this matter).
- The remoteness and high transport costs already borne by Mount Isa City Council and its residents and businesses suggests that it would have no likelihood of successfully accessing the \$100m one-time-only grant funding available in the Resource Recovery Industry Development Program. This is because transport costs are one of the highest components in the cost structure of waste-to-energy projects.
- That is to say, the waste levy collected in Mount Isa would produce no benefits for Mount Isa residents and businesses and would simply act as another “remoteness tax” on our community. We note that Goondiwindi, with a population exceeding 10,000 people, has already been excluded from the Waste Levy Zone.
- Mount Isa’s annual waste volume is around 36,000 tonnes and adding a levy to this will make no material difference to the Queensland Government’s policy objectives, but will add a further “remoteness tax” to businesses and residents in Mount Isa.
- We note the proposed waste levy rebate of 105% payable in advance in the first year. We also note that the Draft Regulation and related policy documents provide for this rebate to be reduced over time – this policy is, it seems, ostensibly designed to drive improvements in waste recovery. Thus, the waste levy will be permanent, but the associated grant program to which we will not achieve access because of our remoteness and high transport costs (which are critical factors in efficient and profitable resource recovery projects) will be one-time only. That is to say, Mount Isa City Council has no chance of success relative to all the other local government areas included in the waste levy zone to access the grant program related to the new waste levy. And it may be the case that the rate of the Waste Levy Rebate, which we note will be governed by Regulation pursuant to the draft legislation, could be reduced from 105% down to 0% by 2022, meaning an ongoing net annual cost to Mount Isa of approximately \$2.5m.
- While Mount Isa City Council recognises the social and environmental value in reducing landfill and recovering waste resources, the design of the Waste Levy Zone is discriminatory, and a more considered approach is required. In the case of Mount Isa, it will act as a tax, as a transfer of wealth out of Mount Isa to Brisbane, and will not create incentives to reduce landfill as efficiently as other local government areas. We believe the Queensland Government should ensure the policy thinking and decision underpinning the mapping of the waste levy zone should be much more sophisticated and certainly not

penalise communities, such as Mount Isa and Camooweal, which already bear considerable costs related to their remoteness.

- We note too that transfer stations are ineligible for funding under the Local Government Levy Ready Grants Program, which means Camooweal will be ruled out as an option for even one-time-only compensation, and Camooweal is one of the most remote locations in Queensland, but yet it will be subject to the waste levy.
- We note that page 10 of the Transforming Queensland's Recycling and Waste Industry Directions Paper expressly stated that the rationale for the exempted areas from the Waste Levy Zone was that "[the exempted areas is due to] the special needs of remote Queensland communities and removes the administrative cost of collecting, remitting and reporting against the levy." So the departure from this policy statement further confuses us as to the subsequent discriminatory inclusion of Mount Isa in the Waste Levy Zone. Mount Isa and Camooweal are surely remote locations.

## 2. Background

Mount Isa is the only local government area which has been included in the proposed new Queensland waste levy zone which is non-contiguous with the coastline. It appears this decision has been made by the Queensland Government because a) Mount Isa was included in the previous waste levy zone in 2011-12, and b) because its population is above 10,000.

The waste levy comes into effect from March 2019. To complement the new levy, the Queensland Government will introduce a new \$100m financial assistance package to encourage local governments and waste businesses to innovate to reduce levels of waste going into landfill.

This report contains a brief model which suggests that the waste levy will cause a net cost to the Mount Isa economy and that Mount Isa, as a region, will, because of high transport costs, be uncompetitive in securing a grant application from the waste levy financial assistance package.

As part of its *Biofutures 10-Year Roadmap and Action Plan*, the Queensland Government is intending to introduce a landfill levy in the first quarter of 2019. The stated policy objective of the levy is to provide an incentive to divert waste from landfill by encouraging waste minimisation and to reuse, and foster resource recovery solutions.

The levy will commence at \$70 per tonne for all general waste streams, with higher rates for specified regulated waste, and increase by \$5 per tonne per year. For the less common and regulated wastes that fall into Category 1 and Category 2, the levy will begin at \$150 and \$100 per tonne respectively.

The levy will apply equally across all general waste streams that originate from a defined levy zone or are disposed to landfills within that zone. The Queensland Government has committed to avoiding direct costs to households. This will be achieved in the following manner:

- To avoid direct costs for households, the Government says it will provide an annual advance on levy charges to those local councils that dispose of household municipal waste in the levy zone. The rate of the annual advance is proposed to be set at 105 per cent of the tonnage disposed of in the previous financial year multiplied by the current levy rate. The formula will be reviewed in future years. Over time, it would be anticipated that the payment would reduce as councils re-invest the funds to achieve greater efficiencies and diversion<sup>1</sup> such as Waste-to-Energy projects.

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<sup>1</sup> "Transforming Queensland's Recycling and Waste Industry Directions Paper", (2018), p10.

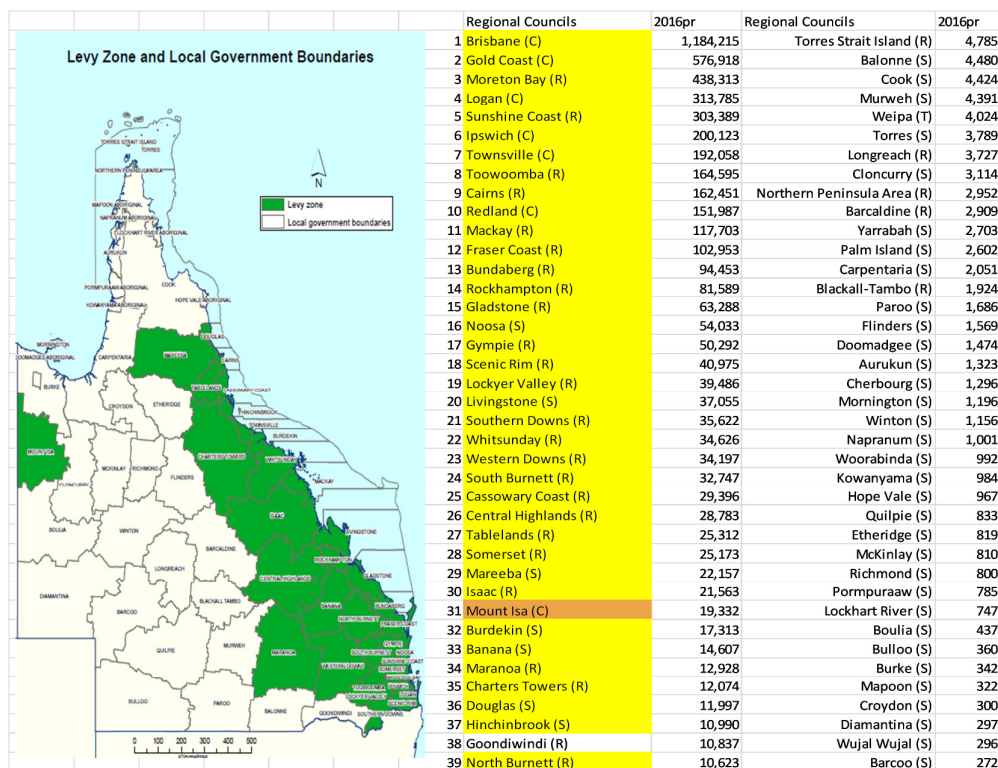
- To mitigate against the financial impact of the levies on the waste industry, and to help facilitate new investment and new capacity for waste recovery, the Government is planning to provide a \$100 million financial assistance package.

### 3. Waste Levy Zone

As occurred with the previous waste levy of 2011, which was scrapped seven months after it was implemented following a change of government, the levies will only apply to relatively urbanised areas of Queensland. Local government areas where the levies will apply represent roughly a third of Queensland by area, but over 90% of the population. The rationale for the exempted areas is that “[the exempted areas] recognise in part the special needs of remote Queensland communities and removes the administrative cost of collecting, remitting and reporting against the levy.”<sup>2</sup>

The levy-liable regional council areas of Queensland appear to have been decided almost entirely on the basis of their populations, but the explicit policy basis for the waste levy zone is not precisely known. On this basis, the inclusion of Mount Isa as one of the levied areas appears to have occurred because its population of approximately 20,000 means it is 31st in a list of the 38 most populated council regions of Queensland. The fact that, with the clear exception of Mount Isa, these most populated council areas are contiguous and along the eastern seaboard (see figure 1), suggests that virtually no allowance has been made for Mount Isa’s extremely isolated situation. Further, as previously noted, Goodiwindi has been excluded from the levy zone, even though their population exceeds 10,000 and they were previously included in the 2011 waste levy zone.

Figure 1: Levy zone by local government area, and Regional Councils by population with the levy-liable marked yellow – Mount Isa excepted



Source: <http://www.qgso.qld.gov.au/products/tables/erp-lga-qld/index.php?region>

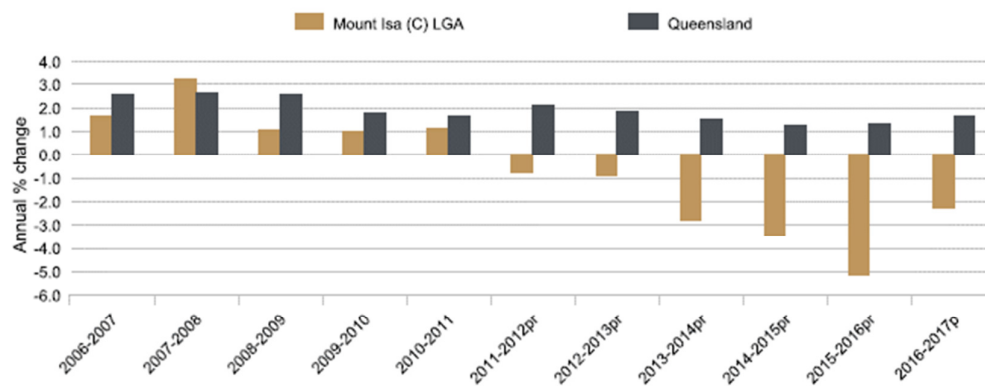
<sup>2</sup> Ibid, p11.

## 4. Options for Waste Management Improvement

The nearest significant urban Recycling disposal area to Mount Isa is Brisbane, 1870 km away by road. Because of the remoteness of Mount Isa from any significant population centre and its small population, the waste disposal levies are less likely to support the Government stated policy objective, especially regarding the incentives created by the levies leading to behaviour changes regarding waste management.<sup>3</sup> Compared to any of other 38 levy-liable regions, improvements in waste management will predictably be significantly lower in Mount Isa. The primary reasons for this are:

- (i) It is not economically viable for all aspects of waste processing, such as from landfill diversion, to be completed in Mount Isa. If waste is to be processed, a substantial percentage of it will need to be transported to more populated regions where waste processing markets exist. Many other low population council regions will need to do this also, but none face the same high cost of transport that Mount Isa does.
- (ii) Although some improvement in waste recovery and processing in Mount Isa should be encouraged, substantial investment would be required in order to significantly increase processing in regard to: CRS collection / sorting / baling facility, glass crushing, organics processing (a small-scale organics composting facility), C&D crushing / screening plant. The scale of investments needed to accomplish this are thought to be between a few hundred thousand dollars, to approaching in excess of over 1 million dollars in the case of organics processing. The scale of these costs given the small and apparently declining and remote Mount Isa population, increases the risk of undertaking such investments. The scale of the demand for the services may be too small to make one of more such projects economically viable (see figure 2).

Figure 2: Estimated resident population growth, Mount Isa (C) LGA and Queensland



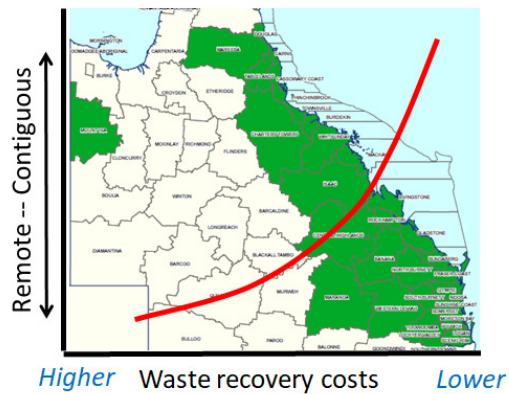
Source: Queensland Regional Profiles, Queensland Government's Statistician's Office, 22 July, 2018

The conclusion is that it will not be economic to divert the same level of waste proportionately from landfill in Mount Isa, when compared to the waste levy zone areas. Simply put, remoteness means high waste management costs. This relationship is shown in figure 3.

<sup>3</sup> See "Transforming Queensland's Recycling and Waste Industry Directions Paper"



Figure 3: Remoteness and Waste Recovery Rates



A lack of competition in the provision of such services is also likely to lead to higher prices for any waste processing that would occur in Mount Isa, than for regions where much larger populations and more competition in waste management solutions, are very much closer.

In time it must be expected that the waste levies will not be viewed as fair for Mount Isa as they will raise more revenue per capita from Mount Isa than from any other region.

## 5. Modelling

### Mount Isa Landfill Levy Payment estimates Based on 2017 Quantities

	<b>Tonnes</b>	<b>Dollars</b>
Total general waste reported in Queensland (tonnes, 2016)	9,165,361	
Mount Isa landfill (tonnes, 2017)	35,000	
Non Council waste subject to levy (approx 60% total waste)	21,000	
Council waste subject to levy (approx 40% total is Council waste)	14,000	
Approx total annual non-Council levy @ \$70 per tonne @ 2017 tonnes		\$ 1,470,000
Approx total annual Council levy @ \$70 per tonne		\$ 980,000

If we assume Mount Isa's annual waste to landfill is 35,000 tonnes (36,000 in FY18) and that 60 per cent of this is private<sup>4</sup>, this would mean Mount Isa City Council (and other sectors) would pay \$2,450,000 each year in waste levies. Mount Isa City Council would receive a rebate in the first year which would be 105% of last year's waste, but the Queensland Government has already declared that this rebate level would reduce quickly to encourage Councils to innovate. The major form of innovation is likely to be waste to energy projects. But volume is required for that, and volume imposes transport costs. The private sector would pay about \$1 million.

<sup>4</sup> A state-wide proxy proportion.



## 6. 2018 Mount Isa City waste data

Waste Class	Tonnes to Landfill
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### 01/07/2017 - 30/09/2017

Regulated Waste	128.64
Green Waste (All Sources)	403.30
Household Waste	2,572.83
Construction or Demolition Waste	520.04
Commercial or Industrial Waste	5,766.78
Quarterly total	9,391.59

### 1/10/2017 - 31/12/2017

Regulated Waste	134.00
Green Waste (All Sources)	398.88
Household Waste	3,018.30
Construction or Demolition Waste	337.27
Commercial or Industrial Waste	4,334.41
Quarterly total	8,222.86

### 1/01/2018 - 31/03/2018

Regulated Waste	134.14
Green Waste (All Sources)	379.88
Household Waste	2,824.88
Construction or Demolition Waste	278.02
Commercial or Industrial Waste	3,531.37
Quarterly total	7,148.29

### 1/04/2018 - 30/06/2018

Regulated Waste	112.08
Green Waste (All Sources)	379.65
Household Waste	2,778.58
Construction or Demolition Waste	807.25

Commercial or Industrial Waste	7,812.56
Quarterly total	11,890.12
<b>TOTAL</b>	<b>36,652.8584</b>

## 7. Financial Assistance Package

In parallel with the levy implementation, the Government is to provide a \$100 million financial assistance package, termed the Resource Recovery Industry Development Program (RRIDP). The intention is to provide grants for worthwhile and financially viable project where successful applicants at least match grant money offered by Government. Approved projects will provide new waste infrastructure to mitigate the financial impact of the levy on the waste industry, councils and ultimately, waste generators.

Although grant money will be available for applicants in Mount Isa, the scale of the investments along with a limited demand the services provided by such, Mount Isa appears least well placed of the waste levy zone councils, to attract grant-supported investment projects. The reasons have been outlined above and relate to the scale of the investment required and the small population, and once processed, the transportation costs to move processed waste to markets.

It should be no surprise if no grant-supported capital investment waste projects will proceed in Mount Isa, and in this case the Queensland Government's intention to mitigate the impact of the levies, will have failed in Mount Isa, the region that will have been in most need of them.