

# Extension of the Waste Levy Options Paper

SUBMISSION

June 2014



CENTRAL NSW  
COUNCILS



Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

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20 June 2014

Waste Levy Consultation  
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To the Manager,

**Re: Waste Regulation Review**

Thank you for this opportunity to respond to the Waste Regulation Review.

Central NSW Councils (Centroc) represents over 220,000 people covering an area of more than 64,000sq kms comprising the Local Government Areas of Bathurst, Blayney, Boorowa, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin , Young and Central Tablelands Water.

Centroc's vision is to be recognised as vital to the sustainable future of NSW and Australia.

Its mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources.

Centroc has two objectives:

Regional Sustainability - Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their action to seek from Governments financial assistance, legislative and/or policy changes and additional resources required by the Region.

Regional Cooperation and Resource Sharing – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power.

The Centroc Board is made up of the 30 Mayors and General Managers of its member Councils who determine priority for the region. These priorities are then progressed via sponsoring Councils.

For more advice on Centroc programming and priorities, please go to our website and download our annual report at <http://www.centroc.com.au/>

The Centroc Board discussed the “Extension of the Waste Levy Options Paper” prepared and circulated by the NSW Environment Protection Authority (EPA), April 2014.

A Waste Levy is a key instrument among a range of policy tools used by the NSW Government to increase recycling. The key issue then in responding to this Consultation paper is whether this goal is achieved by putting in place a levy beyond the present areas where such levies apply. It is not the only question however, for to obtain effective outcomes means the net benefit of this approach must be justifiable.

After considering the content of this paper and the proposed four options contained therein, Centroc submits that the only appropriate Option is No 1 – no expansion of geographical coverage of the levy area.

It is noted that on page 14 of the Options paper there is the following statement in the box on this page: *Councils that wish to indicate a preference for no expansion of the levy (Option 1) as part of the consultation, are also requested to indicate their preferred option should a waste levy be expanded to the non-regulated area (Options 2 to 4).* Centroc Board believes it is not appropriate to do so for a number of reasons including:

1. The ongoing and long standing argument around an hypothecation being equal to approximately 30% of collected monies, while apparently long fought over within government, should not be accepted as a settled argument. The degree of hypothecation of collected monies remains an area of dispute. Thus, consistent with this view that such an inappropriate policy is in place, and while Centroc acknowledges this argument applies presently across the whole of NSW, within the framework of this discussion, any proposal to extend a waste levy beyond present boundaries based on this policy is unacceptable.
2. In addition, and related to this matter of hypothecation, is the reality, not considered in the consultation paper, that the net return to regional and rural councils from collected levies may be far less than the nominal 30%. The submission-based process for grants from the Waste Less Recycle More program only serves to highlight this matter. Smaller councils may lack skills and/or resources to successfully prepare applications in a competitive funding framework. There is no discussion regarding these matters in the consultation paper.
3. Additionally, in small to medium sized rural communities, such as many those of the Centroc region, an additional ‘tax’ is politically and practically most undesirable. Councils don’t want to be seen as the tax collection agency. This view is held not only because of the quantum of the tax imposed but because the net benefit for doing so is not demonstrated.
4. The assertion that it is automatically effective to improve diversion from landfill because a price signal is operating through a levy being in place has not been researched in regional and rural areas. It is a reality for rural and regional areas that a simple diversion goal has much less net return for regional and rural councils than in metropolitan areas because the utilisation of these diverted materials does not occur locally. Instead transportation costs are incurred by Councils sending material to transforming enterprises located. The more

remote the Council, the greater the transportation costs. Further, the costs are not just financial, the environmental costs of transportation need consideration.

5. Associated with this latter point, that being the collection agent for this lopsided tax arrangement is not a cost effective situation is the quantum of levy proposed at \$10/tonne. There are issues about data veracity plus no research to say that \$10/tonne is sufficient to change behaviours in rural and regional centres. Additionally, history tends to suggest that rises in levies will occur into the future. The rise in levy may be justifiable under an accepted levy system - one presently opposed by Centroc - but the uncertainty of the extent and quantum of levy rise certainly will not be.
6. There are other reasons why Option 1 alone is the considered the view of Centroc. This region has very significant population inflows during specific periods of the year, to the to key events such the Elvis Festival and the car racing events at Mount Panorama. The core number of residents in locations where these population come to are in effect picking up a bill for actions they haven't caused. People's behaviours on holiday often do not follow waste stream behaviours exhibited in their home lgas.
7. The Consultation paper provides no sound argument for why a levy should be applied, let alone extended across NSW, in the circumstance that such collected monies are to be managed by the State. Such a consultation paper ought to have a rigorous argument to show management of such income is more effective when handled in this manner compared to an alternative of collection and management by local councils – either individually or regionally.

In the Henry tax review, it is suggested that when designing and applying a taxation system the relative effectiveness of a tax and the incidence of its impact on different taxpayers needs to be assessed against generally accepted public finance taxation design theory considerations and emphasises five criteria<sup>1</sup>

**1. equity**

Based on the advice above, there is no equity between metropolitan and regional communities. The levy ion the context of the competitive funding framework disadvantages regional communities and given issues around transport, the more remote the community the greater the inequity.

**2. efficiency**

Centroc suggests that further investigation would need to be undertaken, and this investigation should be QBL to take into account both the governance and environmental impacts for rural communities and the climate change effects.

**3. simplicity**

Not only is this system not simple, its administration is costly with impacts over local governance. Further, there is concern in smaller communities that while their tonnages may not apply in the first instances, incrementalism will apply and they will apply over time.

**4. sustainability**

Centroc suggests that the case for sustainability has not been made. The increased costs of compliance and administration along with the governance and environmental impacts will in fact have deleterious effects over regional communities and their landscapes.

**5. policy consistency**

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<sup>1</sup> Henry et al *Australia's future tax system Report to the Treasurer* December 2009, p487

The waste levy policy hasn't been consistent in the past given hypothecation focus is not 100% and cannot be so until hypothecation is 100%.

In Table 1 below there is a summary of the implications of Options proposed for consideration.

**Table 1: Overview of EPA Waste Levy options**

<b>EPA Options</b>	<b>Impacts</b>	<b>Comment</b>	<b>Financial/Environmental implications</b>
Option 1 - not extend levy	No change but may attract outsider use given other nearby landfills charge a levy	Councils may not access all/any NSW EPA grants, so diversion rates may not improve greatly	No change from existing situation. Cheaper than proposal to extend. Costs of major infrastructure required to increase diversion rates mostly come directly from Council. No carbon emission from transportation.
Option 2 – Extend lev	Administratively very difficult, especially for councils with many small landfills	Increases costs to all involved without a demonstrated net benefit. Uneven impact across region. Possible increases diversion, but net cost may be considerably high given administration oversight and infrastructure requirements such as a weighbridge with its considerable costs both up-front and ongoing.	Competitive grants schemes tend to favour those more capable in this space so returns from levy not guaranteed. Diversion from landfills still costs councils as recycling, transformation of re-cycled products carried out in major centres. Carbon emission from transportation.
Option 3 – extend levy, exempt small landfill <5000 tonnes	Different impacts for different councils in region depending upon landfill size.	Equity issues to be considered re access to EPA funds for the smaller councils. Suggestion by EPA is this option retains incentive to have small landfills. Again a non-uniform regional situation.	The situation is different for each Council because of landfill operations. Carbon emission from transportation.
Option 4 – ‘Opt in’ NSW levy system	Up to each Council to decide given their specific situation .	Non-uniform regional situation attracting potential changes in disposal patterns.	As above if and when councils determine they accept a waste levy. Carbon emission from transportation.

There is a contention that the financial impacts to councils (via increases in waste charges to residents) might be very small under the various options. However, this is a shallow analysis for the actual consideration ought to be whether or not real value is achieved by introducing a waste levy.

Financial considerations should include:

- Administrative of implementation
- Cost of upgrade of landfill
- Cost of participating in competitive funding arrangements
- Transportation and other costs and impacts of diversion

Moreover, as has been pointed out above, a per capita calculation does nothing for those councils with big influxes of visitors. Finally, for every dollar collected under the waste levy system, 70 cents goes into consolidated revenue and of the remaining 30 cents and dependent on the success of competitive funding, quite possible nothing will be returned directly to the individual council who may or may not have invested resource into the management of grants including application, milestone reporting and acquittal.

Having said that, there was some support in discussion at the Centroc Board level for Option 4: *Implementing an 'opt in' levy system where councils currently located outside the levy area can choose to implement a waste levy at set or chosen rates.* Councils in this region would only entertain this option if they set their own rates. There may be some interest in managing this process through the regional entity "Netwaste".

In conclusion, Centroc submits there should not be an extension of the Waste Levy across NSW as per – Option 1 of the Consultation paper.

For further advice in regards to this submission please contact the Executive Officer Ms Jennifer Bennett on 0428 690 935 or [jenny.bennett@centroc.com.au](mailto:jenny.bennett@centroc.com.au)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken Keith', with a stylized flourish at the end.

Cr Ken Keith OAM

**Chair**

Central NSW Councils (Centroc)