



Discussion Paper

Review of the WALGA Waste Levy Policy Statement 2009

December 2017

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Status of this Paper

This Paper has been prepared by the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (the Association). MWAC is a standing committee of the Association with delegated authority to represent the Association in all matters relating to solid waste management. MWAC's membership includes the major Regional Councils (waste management), and a number of Local Governments. This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate.

Local Government feedback on the Discussion Paper is requested by **COB Tuesday 3 April 2018**.

1.0 Executive Summary

The Waste Avoidance and Resource Recovery Levy (the Levy) is an economic instrument which has the potential to incentivise waste diversion from landfill and fund strategic waste management initiatives. The Levy operates in a complex environment and is not the only mechanism which should be relied upon to achieve these outcomes.

Local Government has long argued that the Levy should only be expended on strategic waste management initiatives. However, this is currently not the case – with only 25% of funds allocated to the Waste Avoidance and Resource Recovery Account (WARR Account). Given the current fiscal environment, it is unlikely that this situation will change in the near future. Therefore, it is vital that the 25% of Levy funds that are allocated to the WARR Account are expended on strategic waste management initiatives – not the core operational activities of the Department of Water and Environmental Regulation.

This Paper reviews the WALGA Waste Levy and Strategic Waste Funding Policy Statement. The Paper first provides background information on the current situation regarding the Levy, then discusses each section of the Policy Statement and identifies if there is a need for change.

The sections discussed are:

1. Basis for Local Government support for the Levy
2. Application of the Levy to waste generated in the non-metropolitan area
3. Rationale for the Levy
4. Differential Levies
5. Basis for Setting Levy rates
6. Administration of the Levy
7. Funding Scope
8. New Section: Regulation of the Levy

Proposed changes to the Policy Statement are included in Appendix 1.

2.0 Background

The Waste Levy Policy Statement was last reviewed in 2009. This review occurred in response to a substantial increase to the Levy and a diversion of funds away from strategic waste management activities.

The WARR Levy intends to discourage waste to landfill, with a portion of it (not less than 25%) provided to the WARR Account for activities related to the management, reduction, recycling, monitoring or measurement of waste. The Levy is therefore partially a hypothecated tax, in that the revenue raised is earmarked for a specific purpose.

While economists are cautious around the use of earmarked taxes due to the rigidities they impose on the Government's budget, there can be a case for hypothecation in some circumstances. One of the benefits of hypothecation is that it leads to a closer alignment between those who benefit from a service, and those which fund it, as well as providing a signal to the taxpayer about the true cost of funding the particular service. A further benefit (at least, in theory), is that hypothecation imposes a hard budget constraint on the Government. These factors can lead to a level of taxation and spending that is more closely aligned with the public's preferences and that is less subject to the political whims of Governments.

However, if the hypothecated tax only partly funds the services with the remainder covered by general government revenue, these benefits are diluted. This is a key issue for the WARR Levy. With only a proportion of the tax being used for waste services, and further investment needed to assist WA to meet the targets in the State Waste Strategy, taxpayers do not receive a clear signal about the true cost of these activities.

There have been a number of changes to the Levy since the last review of the Policy Statement occurred. The most significant include the introduction of a five year schedule of Levy increases, the introduction of the State Waste Strategy and the Auditor General's Report on the Implementation of the State Waste Strategy. There has also been a move away from charging different levies on putrescible and inert wastes. In the 2018/19 Financial Year, the Levy for both types of waste will be \$70/tonne. No increases to the Levy are scheduled after this date, with the Regulations stating that the Levy will remain at this level from 2019 onwards. However, it is worth noting that the Minister has requested that the Waste Authority undertakes an economic analysis of the Levy. These factors present the sector with an opportunity to discuss and reaffirm, or alternatively amend, its collective position on the Levy.

2.1 Waste Levy Application

The *Waste Avoidance and Resource Recovery Levy Act 2007* (WARRL Act) was enacted to impose a Levy on certain wastes. A similar Levy was previously raised under the *Environmental Protection Act 1986*. The Levy applies to waste collected or landfilled in the metropolitan area. In 2009, the WARR and WARRL Acts were amended to change how funds were distributed. Of the Levy funds raised, at least 25% must now be paid into the WARR Account, which is administered by the Waste Authority. The remaining 75% of funds raised through the Levy goes to consolidated revenue.

Funds from the WARR Account are to be applied in line with s80 of the WARR Act 2007:

- (1) Moneys held in the WARR Account are to be applied, in a manner that is consistent with the current business plan or as may be approved by the Minister —*
- (a) to fund programmes relating to the management, reduction, reuse, recycling, monitoring or measurement of waste; and*
 - (b) to fund the preparation, review and amendment of the waste strategy, waste plans under Part 4 and extended producer responsibility schemes and the implementation of that strategy and those plans and schemes; and*
 - (c) in payment of the costs of administering the WARR Account (including the costs of collecting levies and penalties and support and evaluation services); and*
 - (d) to fund the services and facilities referred to in section 36(1)(da); and*
 - (e) in payment of the other costs of the administration and enforcement of this Act, including the remuneration of members of the Waste Authority.*

2.2 Waste Levy Funds

Upon its establishment in 2008, a balance of \$11 million was transferred into the WARR Account from its predecessor, the Waste Management and Recycling Account. From 1 July 2008 to 30 June 2016, the WARR Account received \$108 million in Levy payments, and \$9 million in interest and other income.

Concern over the use of WARR Account funds has been repeatedly raised by Local Government. Of the approximately \$117 million funds paid into the WARR Account during the 1 July 2008 to 30 June 2016 period, \$98 million was distributed. As of June 2016, unexpended funds exceeded \$30 million.

It is worth noting that the Waste Authority, Waste Authority Services Unit, Waste Wise Schools, Keep Australia Beautiful WA and any other construct of the Department of Water and Environmental Regulation that delivers waste related administrative or regulatory activities is also now funded from the WARR Account. According to the Office of the Auditor General (2016):

DER [now DWER] receives approximately \$7 million annually from the WARR Account for purposes such as levy and compliance inspections, administrative support and policy and legislative review. The Waste Authority has sought, but has not received from DER, a detailed breakdown to show that the moneys from the WARR Account for DER administration, compliance and policy have been expended on Waste Authority functions.

In the 2014-15 Financial Year, only 62% of budgeted WARR Account funds were distributed. For the 2015-16 Financial Year, this dropped to 58% of budgeted items. Overwhelmingly, expenditure was directed towards the activities of the Department. Many of the external parties that received funds, had to submit competitive grant applications that aligned with the limited priorities of the Waste Authority.

Projects from the 2015-16 Business Plan that did not expend allocated funds include the Better Bins Engagement Program and Local Government Waste Plans. Other significant projects where only a portion of allocated funds were spent, include the Recycled C&D Market Development Program and the Better Bins Program. In the Association's Submission on the Auditor General's Report, it was identified that the cause of these issues

was a lack of timely decision making by the Minister, the Department of Environment Regulation and the Waste Authority.

2.3 Effectiveness

Applying a Levy on waste to landfill is intended to achieve several outcomes. By increasing the cost of landfill, alternative diversion practices become financially attractive. A Levy also raises funds that can be invested back into strategic waste management initiatives. The Levy has been effective at raising funds, but as noted, a large proportion of these funds have either gone to consolidated revenue or remain unspent.

Inert Material

There is clear evidence that the January 2015 Levy increase (approx. \$8 to \$40/tonne) has driven the diversion of inert material away from landfill. In the 2016 review of the Strategy, the Auditor General commented that 2015 landfill figures had reduced 86%, when compared with 2014 figures. The average amount of inert waste disposed to landfill declined from 266,860 tonnes per quarter in 2014 to 36,930 tonnes per quarter in 2015. This equates to a reduction of over 900,000 tonnes per year. Unfortunately, it is not so clear where this material has been diverted to. Both the regulator (DWER) and industry are concerned that material has been stockpiled, illegally dumped, used as 'fill,' and/or diverted away from the metropolitan area.

Putrescible waste

There has not been such a dramatic diversion of putrescible waste following the January 2015 Levy increase. The Local Government Census for the 2015/16 Financial Year reported a 38% recovery rate for municipal solid waste in the metropolitan area, an increase of 2% on the previous year. Whereas the 2015/16 Recycling Activity Report showed a recovery rate of 36% for municipal solid waste in the metropolitan area, a decrease of 4% from the previous year. The latter figure resulted in negative media for Local Government, as the impression was given that Local Government was not recycling as much as it could. In reality, the Recycling Activity Report did not capture information from all recycling operators, and could well have missed material recycled by Local Government.

Local Government has consistently argued that Levy funds must be reinvested back into waste diversion initiatives in order for it to be effective. A limited reinvestment of Levy funds, coupled with the constant downward pressure on Local Government rates, has meant there are fewer funds available to spend on improving waste management outcomes. Table 1 shows that the 2015 targets in the Waste Strategy were not achieved (Office of the Auditor General, 2016).

Table 1: Baseline, Diversion Targets and recovery rates for Commercial & Industrial, Construction & Demolition and Municipal Solid Waste.

Material Type	Strategy Baseline (2009/10)	2015 Diversion Target	Result – 2015/16
C&I	46%	55%	52%
C&D	29%	60%	42%
MSW (metro)	36%	50%	40%
MSW (regional centres)	15%	30%	24%

2.4 Compliance

Alternative disposal options for inert material have clearly become financially attractive following the increase to the Levy. For the Levy to be effective, it is vital that the waste industry is monitored to ensure it is compliant with relevant legislation. At the time of the Levy increase, Local Government requested that resources were allocated to strengthen compliance efforts for the Levy and illegal dumping. Unfortunately these resources were not immediately allocated, which has led to substantial concerns about material being transported outside the metropolitan area for disposal – without paying the Levy. Local Government has also reported increases in illegal dumping. The Department of Water and Environmental Regulation in recent times has substantially increased the resources allocated to Levy compliance and illegal dumping, however this effort will need to be sustained – and proven to be effective – before Local Government confidence in the Department’s regulatory approach is restored.

3.0 Items for Discussion

MWAC has reviewed the current Policy Statement and requests sector comment on the following issues. Additional comments from Local Governments on the Waste Levy Policy Statement are also welcomed. The key issues for comment include:

1. Basis for Local Government support for the Levy
2. Application of the Levy to waste generated in the non-metropolitan area
3. Rationale for the Levy
4. Differential Levies
5. Basis for Setting Levy rates
6. Administration of the Levy
7. Funding Scope
8. New Section: Regulation of the Levy

Each section includes the current Policy Statement position, commentary about the need for a change/revision and the proposed change. It should be noted that the Policy Statement provides comment with respect to the existing Waste Levy and how it operates.

1. **Basis for Local Government support for the Levy**

Current Policy - Conditional support for Waste Levy

Continuing Local Government support for the Levy is subject to the provision (on an ongoing basis) of robust evidence, made available to the public, demonstrating the Levy is achieving its broad objectives, and on a number of conditions regarding the Levy’s operation and the application of Levy funds.

A. Support for a Levy that is hypothecated to strategic waste management activities: Local Government strongly opposes the application of the Levy to non-waste management related activities, such as funding State Government core activities. Local Government supports funds from the Levy being applied to strategic waste management activities.

Comment

Local Government support of the Levy is conditional on:

- Provision of evidence that the Levy is effective
- The Levy hypothecation to strategic waste management activities.

In relation to evidence that the Levy is effective, data accuracy continues to be an ongoing issue. When consulting on proposed amendments to the WARR Act, the then DER

commented that “In 2012–13 approximately one in five organisations identified as being involved in recycling waste did not respond to the Recycling Activity Report survey.” Conversely, over 90% of Local Governments are reporting their waste management data. The limited degree of reporting from the private sector undermines the evidence base used to measure the Levy’s effectiveness. Questions have been raised on the amount of inert material that is currently stockpiled. In this instance it is clear that the Levy has diverted waste from landfill, but effective action to ensure market development has not occurred.

Currently 75% of the Levy is directed to State Government general revenue. 25% of Levy funds are directed to the WARR Account. While it is Local Government’s strong preference that all funds generated from the Levy are used to support strategic waste management initiatives, it is unlikely that this will occur in the near future.

Case for change?

Both of the expectations outlined in the current Policy Statement remain relevant. Open and transparent reporting on the effectiveness of the Levy and expenditure on strategic waste management initiatives is still required. The key issue is how both of these factors have been practically managed by the Government.

Question: Should the Policy Statement be amended to focus only on the portion of the Levy that is allocated to the WARR Account?

2. Application of the Levy to waste generated in the non-metropolitan area

Current Policy - There is no support for the Levy to be applied to licensed landfills outside the metropolitan area.

Application of the Levy to licensed landfills outside the metropolitan area would prove to be a significant logistical and financial impost on Local Government landfill operators and potentially have severe environmental impacts. Levy application in these areas could increase the frequency of illegal dumping and provide a disincentive to the regionalisation of landfills.

Comment

As noted in the Background section of this Discussion Paper, there have been a number of regulatory challenges associated with the increase to the Levy. For example, larger amounts of waste are now transported to the non-metropolitan area, increasing the regulatory requirements and costs of operating non-metropolitan landfills. Applications for new landfills are predominately from outside the metropolitan area and may have different environmental controls required to those located on, or near, the Swan Coastal Plain. The State’s current fiscal environment could mean the Government will seek to increase revenue by applying the Levy to a broader geographic area. This section of the Discussion Paper is intended to inform debate. Feedback is sought from Local Government to inform the Association’s position.

1. Case against applying the Levy to the non-metropolitan area

There are a range of rationales for why the Levy should not be applied to the non-metropolitan area, including:

- Current expenditure of the Levy
- Range of considerations associated with resource recovery decisions
- Equity of outcome
- Complexity of regulation.

Current Expenditure

Currently, Local Governments must collect the Levy on behalf of State Government. Of the Levy funds collected, 75% funds the general functions of the Government. Of the 25% of the Levy allocated to waste management, only a relatively small proportion is spent on Programs that support Local Government. Given there is currently very limited funding and reinvestment back into Local Government waste management programs, the sector is right to question what benefit an increase would bring. It is likely that the application of the Levy to Regional Centres would result in an increase to rates. If the Levy was to be applied at the same level as the metropolitan area, rates could increase by between 2% to 5.9% (Table 2). This means Local Government would potentially have to increase rates to cover the cost of the Levy or scale back services in other areas to minimise the impacts on rates. Table 2 provides some examples of the cost impact that the Levy could have in Regional Centres. Another approach is the Levy could just be applied to certain regions, which would then not impact the entire non-metropolitan area.

Table 2: Application of the Levy to Regional Centres and potential rate increases.

Regional Centres	Total rates + WARR levy revenue (\$)	% increase
Albany	\$34,057,810	4.1
Broome	\$21,593,285	3.3
Bunbury	\$35,164,866	3.5
Busselton	\$40,441,536	3.3
Carnarvon	\$4,885,433	4.7
Greater Geraldton	\$42,645,842	3.3
Kalgoorlie-Boulder	\$24,098,420	5.9
Karratha	\$38,913,861	2.0
Wyndham East Kimberley (Kununurra)	\$10,491,848	4.2
Mandurah	\$73,734,112	4.6
Port Hedland	\$25,692,371	2.0

Decisions about Resource Recovery

Local Government decisions on the type of resource recovery activity they will undertake are informed by a number of considerations. For example, the cost of waste management options, the type of services that a community wants, as well as available landfill space. The majority of the non-metropolitan area has kerbside recycling services, despite landfill presenting a cheaper waste management option. Food and Garden Organics collection services have also been introduced by some Local Governments. For example, Bunbury, Capel, Collie, and Donnybrook-Balingup, with the Bunbury Harvey Regional Council. This system was provided in response to community demand, and enables these Local Governments to meet the current Waste Strategy diversion targets for 2020.

Equity of outcome

Fees and charges are frequently raised in one area and spent in another. The Federal Assistance Grants for non-metropolitan Local Governments is one example of such an approach. The aim of this Grants Program is to level the playing field and ensure all Australians achieve the same basic level of service provision. Unfortunately Waste Management is not covered by this Program. The Policy Statement already includes a section to show when it is appropriate for funds from the Levy to be expended in the non-metropolitan area (Inter-regional Transfer of Funds).

Complexity of Regulation

There are two approaches to applying the Levy in the non-metropolitan area. The first is to apply the full Levy, and another is to apply a differential Levy. While the latter approach has been used in other States, it could result in a number of complications if applied in WA. Victoria has differential levies for metropolitan and regional areas, with the regional Levy approximately half that of the metropolitan area. NSW uses a similar approach, albeit with a far higher Levy. The Levy for the metropolitan area is \$138.20 (2017/18), with the Levy in the non-metropolitan area \$79.60 per tonne. Applying the full Levy to the non-metropolitan area would avoid this complexity, but would not take into account the different capacity to pay the Levy in the metropolitan versus the non-metropolitan area.

2. Case for applying the Levy to the Non-Metropolitan area

There could also be a range of rationales for expanding the Levy into the non-metropolitan area, such as:

- Raising additional funding for waste management activities (25% of the Levy is allocated to this)
- Promoting the business case for increased resource recovery in the non-metropolitan area
- Equity - currently the Levy is only paid for metropolitan waste but can be expended in regional areas
- Simplifying the regulation of the Levy.

Raising Additional Funding

An initial analysis indicates that the application of the Levy to the non-metropolitan area will raise an estimated \$17,466,000. This represents a 25% increase in revenue raised through the WARR Levy, bringing the total to \$87,466,000. It equates to an estimated cost of \$84.89 per household. This calculation is based on the average waste disposed of per household in 2015/16¹. As 25% of the Levy is allocated to the Waste Avoidance and Resource Recovery Account, this could mean an additional \$4.36M for waste management projects and programs.

Business Case for Resource Recovery

Currently in some regional areas landfill costs are relatively low and do not necessarily provide a strong economic driver for diversion of waste. This is particularly significant for the more remote regional centres where costs to recover and potentially transport material for recycling are significant. With an increased cost of landfill it would build the business case for diversion of waste from landfill and resource recovery. As with the metropolitan Local

¹ Fact Sheet 7: Domestic waste generation and recovery per household per capita (undated). Available from www.wasteauthority.wa.gov.au

Governments, there would need to be reinvestment of the Levy to fund waste reduction initiatives.

Equity

Currently the Levy is only paid by those in the metropolitan area, however the non-metropolitan area benefits from funding for the WARR Account for certain programs. To promote a more equitable outcome all areas should pay the Levy. One Waste Authority Program, the Recycled Construction Products Program, is only open to metropolitan Local Governments. It could be argued that if the non-metropolitan area was to pay the Levy they could then access all Programs undertaken by the Waste Authority.

Simplify Regulation

By looking at waste it is not readily identifiable as metropolitan or non-metropolitan waste. There is a degree of regulatory complexity associated with requiring the Levy to be paid on metropolitan waste only. If the Levy was applied to all waste, wherever it was generated or landfilled, avoidance of the Levy would be much more difficult and regulation of the Levy more straightforward.

Question: Should the Policy Statement be amended to support the application of the Levy to non-metropolitan areas, and if so, under what circumstances should application of the Levy be considered?

3. Rationale for the Waste Levy

Current Policy – Rationale for the Waste Levy

A clear rationale for the Levy is essential for assessing the appropriateness of all policy decisions which relate to the Levy, such as how it is charged, the rate applied and where the money is spent.

Primarily for raising strategic funds: The primary rationale for the Levy is that it provides a means of generating secure funding for strategic activities in waste management. For the purposes of the Levy, appropriate strategic activities must be identified by a current State Waste Strategy.

Alternative rationale/s: Where State Government identifies an alternative rationale for the Levy, Local Government will only support the alternative rationale to the extent it agrees that the alternative rationale is valid.

State Government rationale/s to be clarified and supported: State Government must clearly state, explain, justify and publicly communicate the rationale/s for applying the Levy, particularly if the State Government intends to apply the Levy to non-metropolitan regions.

Comment

The current Policy Statement identifies that the primary rationale for the Levy should be to secure funding for strategic waste management activities, which are identified in an agreed State Waste Strategy. The Policy Statement notes that other rationales may be considered, based on evidence.

Feedback from the sector indicates the current price of landfill, including the cost of the Levy, is beginning to provide a business case to change waste management practices. However, significant investment is required to make large scale changes. The Better Bins Program provides up to \$30 per household to Local Governments that move to a three bin system. This is only a fraction of the cost associated with such a service change, and may not be enough of an incentive to encourage Local Governments to progress this option.

The rationale of raising funds for waste management activities is undermined if funds are not spent. While the Waste Authority may budget for funds to be expended, there have been a number of cases where this has not occurred. One significant example is the Recycled Construction Products Program, with \$10 million allocated for market development. The Program was launched in September 2015 and only a very small amount of funds have been expended.

Case for Change?

It is proposed that an additional point be added to this section of the Policy Statement:

- Any funds raised for, and allocated to, strategic waste management activities must be expended in a timely manner.

4. Differential Levies

Current Policy – Differential Levies

Local Government supports the use of different levy rates between putrescible and inert wastes and considers that other distinctions might be considered such as commercial vs domestic, vs contaminated (including Hazardous waste).

Differential Levy for residual waste resulting from resource recovery facilities: Local Government supports the application of a reduced Levy to residual waste produced by facilities whose primary purpose is resource recovery. This is consistent with the Levy rationale for supporting strategic waste activities; whilst maintaining an economic driver to reduce residual waste.

Comment

The Levy regime has moved away from using a differential Levy as a price signal. Currently, the full Levy amount is applied to residual waste from resource recovery facilities. Recent discussions with Local Government have highlighted there are two views as to whether a differential Levy should be applied to residual materials from resource recovery operations:

View 1: The full levy should be applied to residuals: the application of the Levy drives innovation and encourages a more efficient approach to resource recovery.

Additionally, it reduces the administrative burden on both operators and the Department.

View 2: A differential rate should be applied: for instances where the limits of affordable technology have been reached and/or a State Government policy decision inhibits further landfill diversion.

Case for Change?

As the current Levy regime no longer includes a differential Levy and the Department is still working to implement the Levy, it is suggested that the section of the Policy Statement on Differential Levies is removed.

5. Basis for Setting Levy rates

Current Policy – Basis for Setting Levy Rates

Consistent with its views regarding the appropriate rationale for the Waste Levy, Local Government considers that the rate of the Waste Levy should be set by reference to a well defined set of criteria. The criteria which Local Government would support are:

Capacity to fund the State Waste Strategy

Capacity to achieve stated objectives

Capacity to pay the Levy

Comment

A five year schedule of Levy increases has been introduced in the Regulations. Some Local Governments have expressed support for this initiative, as it provides a degree of certainty in making decisions on services and infrastructure. It is proposed that this section of the Policy Statement be amended to include a five year rolling schedule of Regulated Levy increases to assist Local Governments in planning for any future Levy increases.

Case for Change?

Capacity to Plan: To ensure Local Government can plan and budget for changes to the Levy, and has a firm basis from which to develop business cases on changes to services, at least a five year rolling schedule for the Levy is required.

6. Administration of the Levy

Current Policy - Administration by Dedicated Waste Agency

Consistent with MWAC's Position Paper on Preferred Structures for Waste Management in Western Australia (Sept 2001), Local Government support for the Levy is predicated on the funds raised being administered by an independent statutory body.

Comment

The Waste Authority is not currently functioning as an independent Statutory Authority. The WALGA Policy Statement on Waste Management Legislation will soon be reviewed. Pending this review, Local Government's support for a dedicated waste agency could change. Therefore it is recommended that this section is removed from the Policy Statement.

Case for change?

It is proposed that this section of the Policy Statement is removed.

7. Funding Scope

Current Policy – Funding Scope

The scope of activities and projects able to be funded through the Waste Levy must recognise differences in regional priorities. Such recognition should include acknowledgement that activities of high priority in urban areas may justifiably be ascribed secondary priority in many rural and regional rural areas.

Comment

In June 2017 MWAC adopted funding principles which outlines Local Government expectations regarding State Government funding programs that support waste management activities. These funding principles are that State Government funding programs should:

1. Provide adequate funding and support for Regional Councils, non-metropolitan and metropolitan Local Governments: This recognises the different needs of Local Governments and Regional Councils based on the geographic location, waste generation rate, population and range of services.
2. Reflect the targets and priorities within the State Waste Strategy: Local Government invests \$279M annually (2014/15 Local Government Census) on waste management related activities, providing a range of waste management services to the community. Local Government considers the Levy should be spent on the State Waste Strategy priorities and targets.
3. Fully fund and acknowledge the life-cycle costs of infrastructure and services: Grant schemes have not traditionally considered the full cost of projects. In particular, the funding of continuous service delivery. Local Government supports funding programs

that demonstrate a commitment to continuous funding for service delivery, as opposed to short-term funding for infrastructure only. In developing funding Programs, the existing contribution of Local Government to waste management activities should be recognised and requirements for co-contribution limited.

4. Facilitate the development and implementation of Product Stewardship Schemes: For waste management to be sustainable in the long term, the onus of responsibility for management of products at end of life needs to shift. The design of products, which ultimately become waste, is controlled by the companies that manufacture them. Local Government considers that a range of Product Stewardship Schemes are essential to ensure producers have more responsibility for end of life product management – both financial and physical.

The review of the Policy Statement provides an opportunity to incorporate these principles into the Policy Statement. The full explanation for the principles is provided in the [Local Government Funding Principles: Waste Management](#).

Case for Change?

It is suggested that this section be amended as follows:

The scope of activities and projects able to be funded through the Waste Levy must recognise differences in priority. Local Government expects State Government funding programs that support waste management activities to:

1. Provide adequate funding and support for Regional Councils, non-metropolitan and metropolitan Local Governments
2. Reflect the targets and priorities within the State Waste Strategy
3. Fully funds and acknowledges the life-cycle costs of infrastructure and services
4. Facilitate the development and implementation of Product Stewardship Schemes.

8. New Section: Regulation of the Levy

NEW Policy Position: Regulation of the Levy

Without effective regulation, the Levy's ability to raise funds and act as an economic instrument to reduce waste to landfill is negated. The Levy needs to be supported by a comprehensive regulatory regime for both licenced premises and other sites undertaking waste management activities.

The Levy currently applies to all waste generated, or landfilled, in the Perth metropolitan area (as defined by the Perth Metropolitan Planning Scheme). Some waste from the Perth metropolitan area is now disposed outside of this region. By accepting this material, operators of facilities must pay the Levy, and have a greater level of risk and regulatory burden.

Concern has been expressed by Local Government and the waste industry that commercial waste management operators may be avoiding the Levy by transporting waste for processing and final disposal in the non-metropolitan area. The current Policy Statement is silent on the issue of how the Levy is regulated. This issue has emerged as a vital component of the Levy's effectiveness. To address this, it is proposed that an additional section is added to the Policy.

In other jurisdictions, different approaches have been used in an attempt to address this issue. In NSW, a proximity principle was adopted where it became an offence to transport waste generated in NSW more than 150km from the place of generation, unless the waste was transported to one of the two nearest lawful disposal facilities to the place of generation. This approach attempted to "address the environmental and human health impacts in NSW

associated with the unnecessary transportation of waste over long distances and ensure local communities play an active role in waste management by taking greater responsibility". However, as has been publically reported in August 2017, there have been some challenges with implementing this approach.

Case for change?

A new section of the Policy Statement is proposed, titled *Regulation of the Levy*. Without effective regulation, the Levy's ability to raise funds and act as an economic instrument to reduce waste to landfill is negated. The Levy needs to be supported by a comprehensive regulatory regime for both licenced premises and other sites.

4.0 References

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Legislation

Environmental Protection Act 1986

Waste Avoidance and Resource Recovery Act 2007

Waste Avoidance and Resource Recovery Levy Act 2007

Waste Avoidance and Resource Recovery Regulations 2007

5.0 Appendix 1

Waste Levy Policy Statement

Status of this Policy Statement

This Policy Statement has been prepared by the Municipal Waste Advisory Council and adopted by the Western Australian Local Government Association. The Municipal Waste Advisory Council is a standing committee of the WA Local Government Association with delegated authority to represent the Association in all matters relating to solid waste management.

The Municipal Waste Advisory Council has been formed through collaboration with Regional Councils who are not ordinary members of the WA Local Government Association. The resulting body effectively represents the views of all Local Government bodies responsible for waste management in Western Australia.

Policy Statements adopted by the WA Local Government Association represent a consolidated viewpoint from local government and may differ from the positions adopted by individual member organisations. The Municipal Waste Advisory Council and the WA Local Government Association will strive to promote this Policy Statement and to act consistently with its contents. Individual Local Governments and Regional Councils are encouraged to support them in this but are not bound by the document.

Policy Statements adopted by the WA Local Government Association are reviewed and new Policy Statements are developed regularly. The latest WA Local Government Association Policy Statements can be obtained from the website: www.wastenet.net.au

In-line with standard MWAC policy, this policy statement will be reviewed at least every 2-years subsequent to this; with any significant developments acting to instigate an earlier review.

The Municipal Waste Advisory Council's member organisations are:

City of Geraldton-Greenough
Eastern Metropolitan Regional Council
Mandarie Regional Council
Rivers Regional Council
Southern Metropolitan Regional Council
Western Australian Local Government Association
Western Metropolitan Regional Council

Policy Statement on the Waste Levy

Title:	Municipal Waste Advisory Council Policy Statement on the Waste Levy <i>“A Policy Statement to enunciate the Local Government position on Levies charged on the weight or volume of waste received at licensed premises and the application of those funds to waste management activities.”</i>
Statement of Policy:	<p>1. Context This policy statement has been developed in a context which includes the following constraints, intentions and insights:</p> <p>a. Coverage of consensus views In line with the MWAC Policy Development Framework, this Policy Statement is intended to cover issues where there is substantial commonality of views within Local Government.</p> <p>b. Ongoing work in absence of Consensus Where this commonality of views is absent, MWAC will work to explore and communicate the issues and perspectives and seek to reach consensus.</p> <p>c. Limited Lifespan This Policy Statement will be reviewed again within two years subsequent to its endorsement; with any significant developments acting to initiate an earlier review.</p> <p>d. Alternative mechanisms are recognised A range of alternative instruments could be used to capture funding for waste management that use waste generating behaviour as the fundamental criterion for contribution to the funds. These could include levies directly upon waste sent to landfill, ESL (Environmental Services Levy) style levies, and advance disposal fees. The potential advantages of some of these instruments over aspects of the Waste Levy instrument are recognised.</p> <p>e. Policy Statement speaks to Existing Mechanism This Policy Statement provides comment with respect to the existing Waste Levy. Hence certain comments should be taken to reflect upon this particular method of implementation rather than acceptance of the principle of taxing waste generation per se.</p> <p>2. Conditional support for Waste Levy Continuing Local Government support for the Levy is subject to the provision (on an ongoing basis) of robust evidence, made available to the public, demonstrating the Levy is achieving its broad objectives, and on a number of conditions regarding the Levy’s operation and the application of Levy funds.</p> <p>a. Support for a Levy that is hypothecated to strategic waste management activities Local Government strongly opposes the application of the Levy to non-waste management related activities, such as funding State Government core activities. Local Government supports funds from the Levy being applied to strategic waste management activities.</p> <p>b. There is no support for the Levy to be applied to waste received at licensed premises whose primary purpose is resource recovery Local Government strongly opposes the application of the Levy to waste delivered to licensed premises which have, as a primary purpose, resource recovery (such as materials recovery facilities (MRFs), green waste processing facilities and alternative waste treatment (AWTs) facilities). Local Government will consider the appropriateness of the Levy being applied to waste delivered to other types of licensed premises (for example mine dumps) on a case-by-case basis.</p> <p>c. There is no support for the Levy to be applied to licensed landfills outside the metropolitan area</p>

	<p>Application of the Levy to licensed landfills outside the metropolitan area would prove to be a significant logistical and financial impost on Local Government landfill operators and potentially have severe environmental impacts. Levy application in these areas could increase the frequency of illegal dumping and provide a disincentive to the regionalisation of landfills.</p> <p>3. Rationale for the Waste Levy</p> <p>A clear rationale for the Levy is essential for assessing the appropriateness of all policy decisions which relate to the Levy, such as how it is charged, the rate applied and where the money is spent. In addition, any funds raised for, and allocated to, strategic waste management activities must be expended in a timely manner.</p> <p>a. Primarily for raising strategic funds</p> <p>The primary rationale for the Levy is that it provides a means of generating secure funding for strategic activities in waste management. For the purposes of the Levy, appropriate strategic activities must be identified by a current State Waste Strategy.</p> <p>b. Alternative rationale/s</p> <p>Where State Government identifies an alternative rationale for the Levy, Local Government will only support the alternative rationale to the extent it agrees that the alternative rationale is valid.</p> <p>c. State Government rationale/s to be clarified and supported</p> <p>State Government must clearly state, explain, justify and publicly communicate the rationale/s for applying the Levy, particularly if the State Government intends to apply the Levy to non-metropolitan regions.</p> <p>4. Inter-regional Transfers of Funds</p> <p>The application of Levy funds to projects in areas where the Levy is not raised may be acceptable to Local Government where there is a justified business case consistent with the State Waste Strategy. In determining that the transfer of funds from levy-paying residents to fund waste management projects outside their community is justified, the State Government should consider whether projects have the capacity to deliver substantial benefits to the State in terms of environmental impacts and efficiencies.</p> <p>5. Local Government Claim on Funds</p> <p>A fixed proportion of monies collected from Local Government should be made available to Local Government on a first call basis in the form of project money to support the objectives of the State Waste Strategy. Currently, under Section 4 (2 d) of the Waste Avoidance and Resource Recovery Levy Act 2007, Local Government can claim “reimbursement of administrative costs incurred by the person, organisation or licensee collecting the levy”.</p> <p>6. Basis for Setting Levy Rates</p> <p>Consistent with its views regarding the appropriate rationale for the Waste Levy, Local Government considers that the rate of the Waste Levy should be set by reference to a well defined set of criteria. The criteria which Local Government would support are:</p> <p>a. Capacity to fund the State Waste Strategy</p> <p>It is necessary that the Levy rate(s) is/are set such that the annual objectives identified under the State Waste Strategy can be funded. Local Government recognises that total annual expenditures may sometimes exceed and at other times fall below the total revenues raised by the Levy. It is also appropriate that funds from Consolidated Revenue be used to achieve State Government objectives.</p>
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	<p>b. Capacity to achieve stated objectives The State Government may indicate that it will use the Levy to achieve objectives other than the generation of funds for strategic activities. If so, then the State Government must give valid reasons to show how a change in the Levy will support those objectives before Local Government would support the use of Levy funds. For instance, State Government may consider that at a higher rate, the Levy will discourage landfilling of some waste types, but this belief should be supported with something more than anecdotal evidence and also demonstrate that there would not be other financial imposts on Local Government such as an increase in illegal dumping that would need to be cleaned up.</p> <p>c. Capacity to pay the Levy The State Government must take into account the capacity of Local Governments and their communities to pay the Levy. This capacity to pay the levy is affected by social, economic and political constraints.</p> <p>d. Capacity to Plan To ensure Local Government can plan and budget for changes to the Levy, and has a firm basis for business cases to change service provision, at least a 5 year rolling schedule for the Levy is required.</p> <p>7. Funding from the Levy The scope of activities and projects able to be funded through the Waste Levy must recognise differences in regional priorities. Local Government strongly supports funding programs that:</p> <ol style="list-style-type: none"> 1. Provide adequate funding and support for Regional Councils, non-metropolitan and metropolitan Local Governments 2. Reflect the targets and priorities within the State Waste Strategy 3. Fully funds and acknowledges the life-cycle costs of infrastructure and services 4. Facilitate the development and implementation of Product Stewardship Schemes. <p>8. Regulation of the Levy Without effective regulation, the Levy's ability to raise funds and act as an economic instrument to reduce waste to landfill is negated. The Levy must be supported by a comprehensive regulatory regime for both licenced premises and other sites.</p>
Date of Adoption	2005 Amended February 2008 Amended November 2009
Associated Policies:	Policy Statement on Waste Management Legislation (2004) Policy Statement on Extended Producer Responsibility (June 2008)
Definitions	<p>ESL style levies The <u>Emergencies Services Levy</u> (ESL) raises funds to pay for the operations of the Fire and Emergency Services Authority and is charged against landholders. The ESL is calculated as the Gross Rental Value of the property multiplied by the rate applicable to that region of the state. Regions of WA have been divided into categories based on the level of emergency services available in those regions. The rate is higher in regions which enjoy a higher level of emergency services.</p> <p>Resource Recovery Resource recovery is defined as any waste management operation that diverts a waste material from the waste stream and which results in a certain product with a potential economic or ecological benefit. Resource recovery mainly refers to the following operations:</p> <ul style="list-style-type: none"> • material recovery, i.e. recycling • energy recovery, i.e. re-use a fuel • biological recovery, e.g. composting

	<ul style="list-style-type: none"> • re-use. <p>State Waste Strategy The State Waste Strategy refers to the <i>Western Australian Waste Strategy 'Creating the Right Environment'</i>.</p> <p>The Waste Levy References to “the Waste Levy” are references to the <i>Waste Avoidance and Resource Recovery Levy (WARRL) Act 2007</i>. The existing Levy is charged on the basis of tonnes of waste received at Metropolitan landfill sites plus tonnes of Metropolitan waste received at non-Metropolitan landfill sites.</p>
End of Policy Statement	