



WESTERN AUSTRALIAN  
LOCAL GOVERNMENT ASSOCIATION

# Resource Recovery Incentive Scheme: Local Government Position Paper

Prepared by the



MUNICIPAL WASTE ADVISORY COUNCIL  
*"Getting the Environment Right"*

December 2005

## Organisational Profile and Acknowledgements

The Municipal Waste Advisory Council is a standing committee of the Western Australian Local Government Association with delegated authority to represent the Association in all matters relating to waste management.

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

Decisions and positions adopted by the Municipal Waste Advisory Council are considered by a board of elected member representatives from each member organisation who are supported by an Officers' Advisory Group (OAG) which has officer representatives from each member organisation.

The Municipal Waste Advisory Council's member organisations are:

- The Western Australian Local Government Association
- The Eastern Metropolitan Regional Council
- The Western Metropolitan Regional Council
- The Geraldton Greenough Regional Council
- The Southern Metropolitan Regional Council
- The South East Metropolitan Regional Council; and
- The Mindarie Regional Council

## Table of Contents

<b>ORGANISATIONAL PROFILE AND ACKNOWLEDGEMENTS .....</b>	<b>2</b>
<b>TABLE OF CONTENTS .....</b>	<b>3</b>
<b>1.0 SUMMARY .....</b>	<b>4</b>
<b>2.0 BACKGROUND.....</b>	<b>5</b>
2.1 RRRS to be scrapped – MWAC’s response .....	5
2.2 Existing reform requirements.....	5
2.3 New reform dimensions.....	5
<b>3.0 CONTEXT / ASSUMPTIONS .....</b>	<b>7</b>
3.1 Integrated approach .....	7
3.2 Smart funding more important than “incentives” .....	7
3.3 Five key outcome areas for the Scheme .....	7
3.4 Three priority outcome areas for Local Governments.....	8
3.5 Separate Local Government Scheme.....	8
3.6 Local Government Scheme to get assured funding.....	8
<b>4.0 PRINCIPLES / FEATURES OF THE LOCAL GOVERNMENT SCHEME .....</b>	<b>9</b>
4.1 Aims .....	9
4.2 Data payment .....	9
4.3 Priorities .....	9
4.4 Broader municipal scope .....	10
4.5 Administration.....	10
4.6 Directed funding and credits.....	10
4.7 Period length .....	11
4.8 Auditing .....	11
4.9 Review.....	11
<b>ATTACHMENT- FIVE KEY TARGET AREAS.....</b>	<b>12</b>

## 1.0 Summary

### *Background*

This document presents a position on the proposed Resource Recovery Incentive Scheme (the Scheme) developed by the Municipal Waste Advisory Council (MWAC) on behalf of Local Government. The position has been developed in consultation with Local Government and is based on both past and current thinking about the objectives appropriate for such a scheme and the best way of achieving those objectives.

### *Context / Assumptions*

MWAC's initial assumptions about the Scheme include the following:

1. The Scheme will be part of an integrated approach, in which a range of approaches, including but not limited to the Scheme, will be used to address multiple objectives.
2. With respect to Local Government, effectively channelling the funding is more important to achieving the objectives of the Scheme than direct financial incentives for recycling.
3. Local Government funding will be best directed towards investment in local infrastructure; local/regional education; and problematic wastes.
4. The Scheme will have a part which is exclusively concerned with Local Government and this part of the Scheme will receive funding equivalent to that previously available to the RRRS.

### *Principles and Elements*

Based on the forgoing assumptions MWAC has developed the following set of principles and elements which it believes should guide the development of the Scheme.

1. The Scheme should explicitly aim to improve the State's waste data in respect of both industry and Local Government;
2. In respect of Local Government, the Scheme should aim to provide funds for improving waste services which assist in resource recovery;
3. The Scheme should pay a modest sliding fee to Councils for providing their data;
4. The Scheme should pay different rebates for different material types on the basis of agreed environmental priorities – such as pollution control, maximising energy conservation etc;
5. Councils should be eligible to claim for recovery of a broader range of municipal waste including parks and gardens wastes;
6. The Local Government part of the Scheme should continue to be administered by MWAC but should be streamlined administratively;
7. The Local Government part of the Scheme should ensure investment improvements in priority areas using a system of credits lasting for up to 3 years;
8. Periods should remain 6 months in length and Council applications should be audited every 12 months;
9. The Scheme should be reviewed in 3 years time.

---

## 2.0 Background

---

### 2.1 RRRS to be scrapped – MWAC’s response

The Minister for the Environment determined on advice from the Waste Management Board (WMB) that as part of its Business Plan the current Resource Recovery Rebate Scheme (RRRS) would cease operation from 30 June 2006, to be replaced with a new Scheme. The working title used by the WMB has been the Resource Recovery Incentive Scheme (RRIS) – hereafter referred to as the Scheme. As a result of the decision to terminate the Resource Recovery Rebate Scheme (RRRS) and replace it with the RRIS the Municipal Waste Advisory Council (MWAC) determined that it was important to start with a clean slate and develop a set of key principles from a local government perspective on which to base a new scheme.

To undertake this work, MWAC formed a working group of interested officers to consider the issues and develop a consultation position to take to members. These MWAC officers met on three occasions to discuss the principles and issues relevant to the development of a new scheme. The *Context* and *Local Government Scheme Principles* sections discuss those elements which the officers considered to be of key importance to Local Government.

### 2.2 Existing reform requirements

In 2003, a workshop was held at the City of South Perth to consider issues associated with the Levy and the RRRS. The workshop was well attended by both local government officers and state government employees involved in the issues of resource recovery. The important outcomes from that workshop were as follows:-

- The rebate payments took far too long to process (this was addressed over the next six months)
- The information made available back to local governments was too late for effective use in service related decisions;
- The monies refunded to local government were not quarantined by local governments for further waste reduction efforts (this was subsequently considered to be an issue which was possibly over stated or at least variable;)
- There was a need for a much simpler reporting mechanism; possibly using electronic means;
- The rebate was not clearly aligned to behaviour change and therefore did not address the issues it had been designed to deal with.

The participants in this 2003 workshop considered that it was important for these shortcomings of the RRRS to be addressed.

### 2.3 New reform dimensions

In revising the existing RRRS the Waste Management Board has suggested that it wanted any new scheme to create an incentive to improve performance and to promote the adoption of Zero Waste Plans. The first of these two ideas seems to have been strongly associated with the concept of benchmark performance whereby eligibility for funds would be conditional upon achieving a quantitative performance standard. The form of the second idea, promotion of Zero Waste Plans, is difficult to speculate about.

The Board has also expressed its intention to make the Scheme open to industry. In other words, the Scheme will no longer be limited to rebates for municipal recycling and resource recovery and private organisations will become eligible to claim money from the Scheme directly.

## 3.0 Context / Assumptions

### 3.1 Integrated approach

The context in which any new Scheme would operate is as important, if not more important, than the nature or structure of the Scheme itself. Accordingly, MWAC considers that the Scheme must be part of an integrated approach, which addresses multiple objectives through a range of approaches. Important elements of an integrated approach include:

- Education for avoidance
- Promotion/communication for recycling
- Market development for recyclables
- Transport support for the rural sector
- Infrastructure support – at a local and regional level
- Strategic Initiatives at the regional level
- State matters – eg Hazardous waste
- Consideration of the triple bottom line

### 3.2 Smart funding more important than “incentives”

MWAC acknowledges the Board’s emphasis on creating incentives to improve performance. MWAC agrees that the Scheme would ideally reward good performance more than it rewards mediocre performance. However, MWAC considers that the reasonably small sums of money which are expected to be distributed through the Scheme will ensure that the RRIS has only marginal significance as a direct incentive to drive investment in recycling and resource recovery. Of greater importance, in the opinion of MWAC, will be the capacity of the Scheme to ensure that funds are spent in appropriate areas.

### 3.3 Five key outcome areas for the Scheme

MWAC has identified five key outcome areas which it considers the Board should focus upon in designing the Scheme.

- Waste data  
The Scheme can capture useful waste diversion data – essential for policy assessment;
- Strategic Initiatives  
The Scheme can fund investment in critical infrastructure to enable step change improvements in recycling and recovery;
- Markets  
The Scheme can underpin the development of new markets for materials;
- Education/Communication  
The Scheme can fund enhanced education and communication programs within the Community;
- Problematic Wastes  
The Scheme can fund new programs to eliminate, capture and/or recover problematic Wastes.

*The diagram attached shows these five target areas at the top of the page.*

### **3.4 Three priority outcome areas for Local Governments**

Of the 5 key outcome areas relevant to the Scheme, MWAC considers that the three types of outcomes that should be targeted by the local government part of the Scheme relate to:

- Local infrastructure
- Local/Regional education
- Problematic wastes

These were areas of Local Government activity which any scheme should seek to promote by providing the funding to enable significant upgrades, improvements or development in council services and infrastructure.

*The diagram attached shows these activities marked within corresponding key outcome areas.*

### **3.5 Separate Local Government Scheme**

MWAC is strongly of the view that the Scheme will need to distinguish between Local Government and Industry participants. MWAC has identified that different outcomes are likely to be targeted for these different participants. MWAC considers that it would be well placed to administer the Local Government part of the Scheme just as it currently administers the RRRS. However, MWAC does not believe it would be appropriate for it to administer the Industry part of the Scheme.

MWAC suggests the following simple distinction between the two schemes. The Local Government scheme would collect data and provide rebates in respect of domestically and municipally generated wastes collected through services paid for by ratepayers. This definition would include the material

- include the material recovered by Councils from public parks and gardens,
- include the material recovered by Council contractors from domestic waste; and
- exclude the material recovered from domestic gardens by private contractors (eg skip operators and garden waste baggers).

The industry scheme would relate to all other wastes and operators that the Board sees fit to include.

### **3.6 Local Government Scheme to get assured funding**

An absolutely critical assumption for MWAC, in endorsing a position on the Scheme relates to the allocation of funds to the Scheme. The Local Government part of the Scheme should receive at least as much funding as was allocated to the RRRS prior to the Minister's decision to phase it out. This means minimum funding for the Local Government part of the Scheme of approximately \$2.4 million per annum. MWAC does not have a view regarding the appropriate allocation of funding for the Industry part of the Scheme.

## 4.0 Principles / Features of the Local Government Scheme

### 4.1 Aims

- a) *To ensure the collection of comparable, robust waste data from both Local Government and Industry*
- b) *To provide funds for improving waste services which assist in resource recovery*

The Scheme should aim to improve the capture of information relating to the management of waste materials and to reward diversion by providing funding to further improve waste services. MWAC suggests that the Scheme should focus on materials which have already entered the waste stream, rather than attempting to avoid materials entering the waste stream. MWAC is strongly of the view that the Scheme should not pursue waste avoidance aims and that the Board must identify other approaches and programs to pursue that objective.

### 4.2 Data payment

*The Scheme should value data collection by paying a small fee to Councils which submit a return.*

MWAC believes that all local governments should receive a sliding payment for the provision of accurate information on their waste streams – ie by filling out their RRIS forms. This will create an incentive to even the smallest and most remote local governments to participate in the Scheme and hence permit a more complete picture of waste and recycling activities across the State. For many local governments, especially the smaller rural local governments with small tonnages of recovered materials, the onerous tasks associated with gathering verifiable information relevant to resource recovery or recycling is an impediment to participation. The concept of a sliding payment reflects the reality that reporting will be an extremely modest undertaking for some Councils and an involved process for others. It is therefore appropriate for the payment to be varied to reflect the complexity of the reporting obligation.

### 4.3 Priorities

*Agreed outcomes should guide the identification of priority waste types*

MWAC agrees that the Scheme should differentiate between materials. Some wastes are more harmful than others, encompass more embodied energy or generate more harmful substances in their production phases than others. Therefore, incentives should be provided on a sliding scale relative to the priorities identified and agreed upon. These may relate to the priorities identified in the Waste Management Board's Strategic Plan or could relate to sub sets of those priorities. Diversion of tonnage from landfill has been the overriding driver to date, but it may be appropriate to explicitly identify other objectives to guide the prioritising of material types.

MWAC strongly advocates making the diversion of hazardous materials a priority. The priorities and incentive payments could also be based on differentiation between different qualities of material. For example, in composting, a higher incentive payment could be available for a better

quality compost. These priorities should apply for a period of at least three years; and be subject to review as part of the scheme review.

MWAC notes that the RRRS differentiates between material types using simple criteria and suggests that this system might be used to inform how the Scheme will differentiate between material types.

#### **4.4 Broader municipal scope**

*All local government activities carried out in the district to be covered by the Scheme.*

The Scheme should apply to all waste managed through local government functions, including street pruning, road construction and so on, carried out within the local government's district. Where local governments carry out functions on a commercial basis and wish to seek incentive payments, the data collection and payments should be included in the local government Scheme. If a local government is providing a service to another local government, then the material should be treated as local government generated.

#### **4.5 Administration**

*Retain Local Government peer review and create web-based data collection systems*

MWAC believes that the current system of peer review for operating the Local Government part of the Scheme should be maintained. The Local Government part of the Scheme should be administered by MWAC using selected officers to vet information provided by the participants. A new web-based reporting system should be developed and would ideally be integrated with other Local Government data reporting obligations such as those relating to the National Packaging Covenant and the Landfill Levy.

#### **4.6 Directed funding and credits**

*Local Government part of Scheme to direct spending towards improvements in priority areas with a system of credits*

MWAC is of the opinion that the objectives of the Board will be best served by the Scheme if it takes steps to improve the way it encourages expenditure in critical areas of activity. To leverage maximum impact from the money invested in the Scheme, MWAC proposes the following system.

- i. Rebates for Local Government recycling and recovery outputs are calculated based on tonnages, material type and possibly other criteria. This is the 'performance incentive' dimension of the Scheme.
- ii. Payment of rebates is conditional upon the money being spent on one of the three funding areas discussed in the earlier section entitled "Three Priority Outcome Areas for Local Governments"
- iii. Payment can be deferred and credits held over for up to three years to enable Councils to identify and organise projects which fit within those three outcome areas.
- iv. Credits not used within the three year timeframe would expire – creating an incentive to invest in the necessary areas within three years.

#### **4.7 Period length**

*The Reporting Period should remain 6 months*

MWAC has continually canvassed the question of reporting period length with members and has formed the view that 6 month periods are the best compromise between competing concerns. This length of period keeps the administrative obligations manageable for Councils and MWAC without creating a substantial lag time between an activity and its measured outcome.

#### **4.8 Auditing**

*Half of participants to be audited each period*

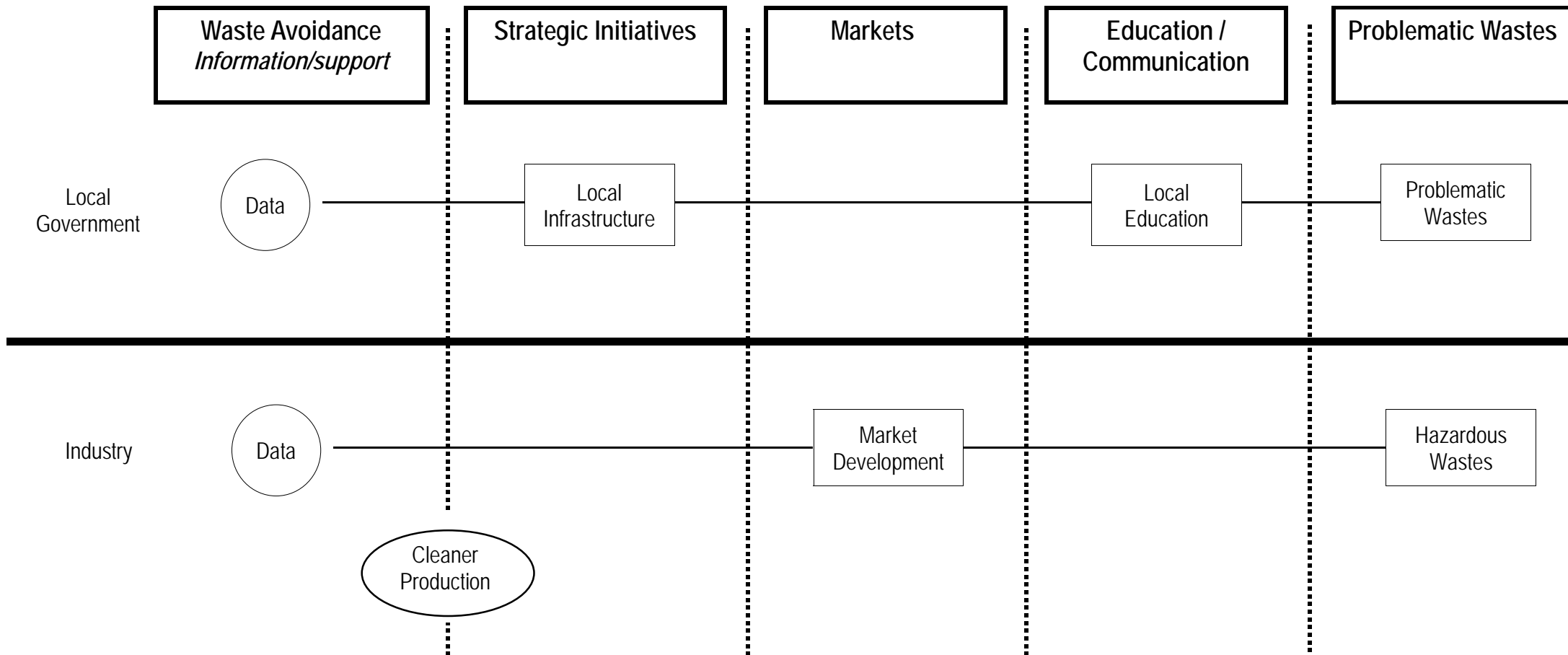
MWAC proposes to audit only 50% of participating councils in each six month period, in order to reduce the administrative burden. Councils would be selected randomly and where exceptions occur or significant variation is evident. Every Council would be audited once in a 12 month period – in other words audited every other period. Reducing the administrative workload would enable more effort to be invested into data collation and analysis and more timely provision of reports to decision makers including Local Government and the Board.

#### **4.9 Review**

*Scheme to be reviewed in three years time*

While a continuous improvement program should be in place to ensure that the Scheme meets its stated objectives, a major review should be undertaken three years after the Scheme commences. MWAC notes that waste plans including Zero Waste Plans and Waste Management Plans may significantly alter the operation of the scheme in ways which are currently unclear. MWAC also notes that the legislative introduction of waste plans may be unlikely to occur in less than three years and that the effect of this delay is also unclear.

## Five Key Outcome Areas



The Diagram shows five key outcome areas for Board initiatives to stimulate activity. However, the Scheme may not be able to achieve outcomes in all areas for all participants.

The Scheme may achieve an outcome in one of the five areas by providing a direct incentive to undertake an activity or by creating capacity in an area through targeted medium term investment.

Outcomes achieved by providing an immediate cash incentive to undertake an activity are marked as circles. Outcomes achieved by providing capital to invest in targeted projects and programs are marked as rectangles.

The Diagram shows that the Scheme could provide an immediate incentive to supply data and may provide for Local Government, capital to invest in three of the five target areas. The Diagram shows that target areas for investment by industry are different to those for Local Government.