WALGA

Discussion Paper:

Local Government Waste Management Funding

PREPARED BY THE

MUNICIPAL WASTE ADVISORY COUNCIL

"Getting the Environment Right"

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Status of this Paper

This Consultation Draft Background Paper has been prepared through the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (WALGA). MWAC is a standing committee of WALGA, 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). The Regional Council members of MWAC include the Eastern Metropolitan Regional Council, Mindarie Regional Council, Southern Metropolitan Regional Council, Rivers Metropolitan Regional Council, Western Metropolitan Regional Council and the City of Geraldton-Greenough. This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate. This Paper therefore represents the consolidated view of Western Australian Local Government. However, individual Local Governments and Regional Councils may have views that differ from the positions taken here.

The Municipal Waste Advisory Council's member organisations are:

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

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1. Status of this paper

This paper has been prepared through the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (the 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. MWAC's membership includes the major Regional Councils (waste management). This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate.

MWAC focuses its work in three main areas, guided by the MWAC Strategic Vision – 'United Towards a Zero Waste Future':

- The proactive development of policy on priority issues;
- Comprehensive representation of Local Government views on legislation, regulations, administrative policy and related issues; and
- The delivery of grant funded programs consistent with Local Government priorities.

2. Purpose of this paper

The purpose of this paper is to research the funding options for Local Government waste management activities, and in particular waste management infrastructure, in order to outline the options available to Local Governments, and highlight areas for MWAC to pursue in the future.

3. Funding Local Government Waste Management Infrastructure

3.1 Local Government Waste Management Activities

Local Government spending on waste management activities in Western Australia (WA) includes kerbside waste collection and disposal, litter collection (including costs associated with illegal dumping) and waste education programs. In addition to this, Local Governments and Regional Councils throughout WA are responsible for the development, operation and maintenance of a broad range of waste management infrastructure, including landfill sites, alternative waste treatment (AWT) facilities, material recovery facilities (MRFs) and transfer stations. According to the Department of Environment and Conservation's (DEC) *Zero Waste Plan Development Scheme (ZWPDS) Phase 1 Report 2006-07*, these sites are managed to various degrees throughout the State (for example, in terms of staffing, level of engineering of the site and the monitoring of waste disposed) (2001, p. 15).

The costs incurred by Local Governments and Regional Councils in undertaking these activities are significant. For example, in a survey carried out by MWAC in May/June 2010 regarding the costs of litter collection (including illegal dumping) alone, figures ranged from $1 million per year for a medium-size Local Government, to approximately $35,000 for a smaller Local Government. These costs are in addition to the regular kerbside collections and education programs run by these Local Governments.

In addition, the cost of building and operating waste management infrastructure is also considerable. For example, the implementation (including planning, licensing and construction) of AWT facilities and landfills can take between five and seven years, and for AWT facilities may involve contracts for at least 20 years which are required to secure the infrastructure, that could require an investment of at least $100 million. These costs and time-frames also leave Local Governments and Regional Councils open to significant risk. The costs associated with landfill are also substantial (see Box 1).

Box 1 – Waste Management Infrastructure Costs (Landfill) (pers.comm)

Typically, a Class II lined landfill will incur a construction cost of between $75 and $120/m2 of liner installed. The larger the landfill cell constructed, the lower the m2 rate (economy of scale). When it comes to closing a landfill there will be a capping cost in the order of $35 to $50m2 (again a function of size). The operations of a lined putrescible landfill also incurs additional operating costs in managing leachate and landfill gas; however, the revenue from electricity and carbon credits from the landfill gas management activities covers these operational costs. There is also the landfill post-closure monitoring costs which could go on for up to 30 years (or more) after the landfill has closed. These costs could be in the order of $50,000/year initially tapering off to possibly $20,000 after 30 years.

As for Class I landfills, they would only incur a fraction of the above costs:
- No liner costs.
- 50% of the capping costs.
- No leachate or landfill gas operating costs, but also no revenue from the electricity sales and carbon credits.
- 50% of the annual post closure monitoring costs and the monitoring period would only be 5 to 10 years.

Currently, Local Government and Regional Council revenue is limited to four main sources of income (WALGA 2008, p. 73):

1) Rates;
2) Fees and charges (many Regional Councils also receive money from gate fees);
3) Grants and contributions; and
4) Profit from business enterprise.

As outlined in WALGA's Systemic Sustainability Study Report (2008, p. 73), of the above revenue sources, 'Rates is the set over which Local Governments have the most discretion, although this discretion is limited by the ratepayer's capacity to pay and the inherent political process.' In addition,

> Fees and charges also offer some level of discretion but are restricted by sporadic external State Government regulation and, in some cases; prices are limited to the cost of provision. Grants and contributions are most commonly influenced by the quantum of transfers by other governments while business enterprise profit is inherently risky and subject to the political process due to the current inability to establish commercial trading entities (such as companies and Associations) (2008, p. 73).

There are also a number of external factors that directly impact on Local Government and Regional Councils ability to successfully raise money to assist in their investments. For example, the Forum of Regional Councils (FORC) argue in their Paper on 'Essential Municipal Solid Waste Services' that the present 'regulatory, economic and operating environment' in the State discourages investment due to the uncertainty caused by the significant financial investment large-scale projects require and the unpredictable planning and approvals process. For example:

- Recycling markets are currently depressed, adding to the overall cost of providing infrastructure and collection arrangements for recycling services;
- The current business climate requires tenderers for Resource Recovery Facility (RRF) projects to take on more risk resulting in disproportionately high pricing. There is also a high risk for Local Governments;
- Investment recovery from RRFs and landfills is long term; and
- The limit of State Government loan funds for projects not owned by Local Government. (FORC 2010, p. 9).

There is also concern that Local Government waste management services are not adequately protected from the influence of market failures or economic crises. For example, early 2009 saw considerable reduction in the price of recyclables (such as paper, cardboard, plastic and metals), impacting on the costs to Local Government to deliver these services. The absence of other methods to ensure a baseline value for materials collected by Local Governments, such as a container deposit scheme, means that Local Governments are vulnerable to market forces.

There is an increasing expectation of Local Governments from both the State Government and their communities to substantially increase the environmental performance of their waste management facilities (landfills) as well as undertake resource recovery and recycling activities. While the social and environmental benefits of these initiatives may be clear, full cost recovery cannot be achieved in some locations for a variety of logistical and market reasons. As provision of this higher level of service is now becoming the new base level it is appropriate to review expenditure needs and revenue from waste and resource recovery activities.

3.2 Funding Schemes in Western Australia

3.2.1 Previous Funding Schemes

Previous funding for waste services available to Local Governments include

- *Resource Recovery Rebate Scheme (RRRS)* – was initiated to increase Local Government participation in resource recovery. Local Governments were able to claim a rebate for materials that they were able to demonstrate had been reused, recovered or recycled. This scheme was funded by money raised from the Landfill Levy (known as the Waste Management and Recycling Fund).
- *Auditing Continuity/ Data Compilation (AC/DC) Scheme* – this scheme was brought in as an interim measure to ensure data continued to be collected until another mechanism was put in place (to replace the RRRS). The intention of the AC/DC Scheme was to capture similar data to the RRRS; primarily service provision, tonnes collected, cost of services and other waste management related Local Government activities.
- *Zero Waste Plan Development Scheme* – the purpose of the Scheme was to encourage and assist Local Governments to work in collaboration with other Local Governments and develop a regional approach to waste management. Phase 2 of the Scheme required Local Governments to produce Strategic Waste Management Plans (SWMP) which outlined key regional priorities amongst the chosen groupings. Local Governments developing SWMPs were individually allocated $7,000 while $15,000 was allocated to groupings of two or more Local Governments.
- *National Packaging Covenant (NPC)* – funds were available from the NPC for recycling/recovery activities relating to packaging waste. With the transition to the Australian Packaging Covenant (APC) there are currently no details on what funding opportunities will exist.

All these funding programs have come to an end. There is an expectation that funding linked to the SWMPs will be made available in the future, however, to date it is not clear when funds will be allocated to this program. This lack of forward planning was also a criticism with the cessation of the RRRS. The 2005 Review of the RRRS by the Waste Management Board (now the Waste Authority) commented that many respondents to the Review

> 'believed that agreeing to a reduction and subsequent phase-out of the RRRS without knowing what was to replace it and not knowing where the money would be spent instead would be a "leap of faith" they were not comfortable making. Furthermore, it was requested that if any changes were to be made that they be actively involved in the development and that it be agreed to before any changes were made' (WMB 2005, p. 4).

3.2.2 Current Funding Schemes

Currently, funding available to WA Local Governments and Regional Councils include:

- *Strategic Waste Initiative Scheme (SWIS) Grants* – are administered by the Waste Authority, and funded through the Waste Avoidance and Resource Recovery Account (WARRA) to 'assist local government, industry and the community to avoid waste generation, recover the resources, and reduce the amount and impact of waste on the environment' (Waste Authority Website 2010). The three priorities for funding in 2010 are: 'Commercial and Industrial Waste Recovery and Recycling', 'Construction and Demolition Waste Recovery and Recycling', and 'E-waste'.
- *Household Hazardous Waste (HHW) Program* – funds the collection and storage of HHW from permanent storage facilities; administering funds for construction and upgrading of permanent storage facilities in the metropolitan are and non-metropolitan areas in Western Australia; staff training for permanent storage facilities; and, temporary collection days. The HHW Program is funded by the Waste Authority from funds raised through the Landfill Levy. The funding for the Program is due to expire on 30 April 2011.
- *Used Oil Program* – assists Local Governments who recycle used motor oil through the Preferred Supplier arrangement. This program is funded by the Waste Authority, and was initially expected to end on 21 November 2010, but has now been extended until the end of the 2010/11 Financial Year.
- *E-Waste Funding* – Local Governments received some interim funding in 2010 for e-waste recycling from the Waste Authority from funds raised through the Landfill Levy. $400,000 was allocated for a 1 year period. At time of going to print, a decision is pending as to whether this scheme will continue, and in what form.

There has been an indication from the State Government that funding models with provisions for co-contribution will be preferred moving forward. It is also expected that future funding will also be linked to the Waste Strategy for WA, although this document has not been completed at this time. Currently, there is a lack of funding for infrastructure outside of facilities for specific materials (i.e. HHW). Ongoing operational and asset management costs are not subsidised.

3.2.3 Funding Waste Management Infrastructure

The term 'waste management infrastructure' is applied to the infrastructure needed in order to carry out waste management activities, such as landfills, inert and putrescible transfer stations, recycling plants, material recovery facilities, resource recovery facilities and greenwaste reprocessing facilities. All of these facilities are currently in operation in WA. Landfilling has traditionally been the preferred form of waste management infrastructure in WA, with Local Government performing the role of both managers/owners and operators. As a result, Local Governments are responsible for the management and operation of 87 of the 97 landfills throughout the metropolitan and south west of WA (7 of these are private/ Local Government partnerships).

Landfill, however, is no longer the only means of waste disposal in WA. One driver for pursuing alternatives to landfill can be traced back to the Select Committee on Recycling and Waste Management Final Report (1995, p. 2) recommendation that

> *No new landfill sites should be established on the coastal sand plain because of their potential to pollute groundwater.*

This policy is also reflected in the 1997 State Planning Strategy and the Department of Water's Water Quality Protection Note 'Landfilling with inert materials.' As a result of these developments, Local Governments are faced with having to consider new arrangements to provide waste management services, as well as undertaking major infrastructure projects which require significant investment.

MWAC has recently developed a Draft Background Paper on Waste Management Infrastructure, the purpose of which is to establish a checklist for Local Governments undertaking development of new waste management infrastructure and upgrades to existing infrastructure. The Draft Background Paper outlines that due to the cost associated with developing new infrastructure, and in particular alternatives to landfill such as AWT facilities, Local Governments and Regional Councils are looking into alternative ways to fund these developments. The various types of contractual arrangements include:

- *Local Government own and operate;*
- *Build Own Operate (BOO);*
- *Build Own Operate Transfer (BOOT);*
- *Design and Construct (D&C);* and
- *Alliance.*

See Appendix 1 for further details.

4. Comparative Models

4.1 Inter-State Funding Case Studies

Case Study – NSW Waste Management Funding
Funding provisions in NSW for waste management are considerably different to Western Australia as Local Government services are limited to managing waste collection contracts. The NSW Government provides the majority of the infrastructure, and the private sector undertakes the collections.

An example of this arrangement is the Eastern Creek 'Urban Resource – Reduction, Recovery and Recycling' facility (UR-3R) near Sydney. In 2002, the New South Wales (NSW) State Government announced the approval of a public/ private partnership between Waste Service NSW and Global Renewables. Waste Service NSW is a

> 'State Owned Corporation, established under the *Waste Recycling and Processing Corporation Act 2001*. Its powers in relation to the UR-3R project arise under the *State Owned Corporations Act 1989*, which empowers Waste Service to enter into contracts in connection with the performance of its functions (which include researching, developing and implementing alternative technologies for managing waste)' (Waste Service NSW 2003, p. 4).

In 'Summary of Contracts – Eastern Creek UR-3R Facility', Waste Service NSW outlined the 'Operational Phase' of the contract:

> 'During the first phase, known as the "Operational Phase", GRL (Global Renewables Pty Ltd) is obliged to finance, design and construct the Facility… Once the Facility is constructed, Waste Service NSW will be obliged to supply to the Facility, and GRL will be obliged to process using the Facility, a certain tonnage of waste (and Waste Service NSW will be obliged to pay to GRL a performance-based fee for processing that waste) for the following 25 years' (2003, p. 6).

In December 2003, Fairfield City Council (a NSW Local Government with a population of 194,543 people) (Fairfield City Council Website 2010) became the foundation partner in the Facility 'when it signed a 20-year contract with Waste Service NSW. Under the contract, Waste Service NSW will supply 60,000 tonnes of Fairfield City's waste for processing at the Eastern Creek UR-3R Facility each year' (Waste Service NSW n.d.).

As Section 3 of the NSW *Waste Avoidance and Resource Recovery Act 2001* outlines, the objects of the Act include

(e) to ensure that industry shares with the community the responsibility for reducing and dealing with waste;
(f) to ensure the efficient funding of waste and resource management planning, programs and service delivery,
(g) to achieve integrated waste and resource management planning, programs and service delivery on a State-wide basis,

It appears as though the greater involvement of the State Government in waste management (and infrastructure in particular) makes the state-wide integration of services more efficient.

It is important to note that, at the time of going to print, the NSW Government has just sold Waste Services NSW to SITA Environmental Solutions for $235 million (WME 2010).

Case Study – Tasmanian Voluntary Landfill Levy
In Tasmania, Local Governments administer a voluntary waste levy on materials sent to landfill. Three regional groupings have been set up across the State to manage the levy. One grouping is the Northern Tasmanian Development (NTD), made up of eight Local Governments, who in September 2007

> '…committed to the Waste Management Agreement for Northern Tasmania, which included the introduction of a $2/tonne (excluding GST) waste levy on all waste disposed to landfill. The funds raised from the waste levy are to be used for regional waste programs as directed by the Northern Tasmanian Waste Management Group (NTWMG), a committee of the Northern General Managers Group within the NTD' (TasWaste Website 2010).

Tasmanian Voluntary Landfill Levy – Local Government Perspective (pers,. comm.).
During the late 1990s the Waste High Level Oversight Group (comprised of State and Local Gov reps) were threatening a levy. As a result, Local Government in Tasmania agreed to set up 3 regional bodies to manage and collect a voluntary levy in order to improve waste management practices. The southern region lead the way to begin with. However, with the north/north west not acting, by 2005 the State Government again delivered an ultimatum that it would impose a levy. Since then the 3 regions have operated successfully however there is still disparity in services/prices.

Positive aspects
Fortunately the majority of landfills/WMC/WTS in Tasmania are council owned/governed. This allows the 3 regions, if they have agreed support from all the players, to impose a levy and shunt the funds back in to improved waste practices.

Negative aspects
Unfortunately if the players are in disagreement the system breaks down. Some councils impose the levy on municipal, others on commercial, some on none, some on all. Also the non-council owned landfills can choose to not impose a levy, giving them a cost advantage in the marketplace. There is also no legislation in place to stop new landfill operators setting up without imposing the levy. It is pretty chaotic because there are no rules/no legislation.

Ideally Local Government in Tasmania would like to see a better situation, and need the State Government to legislate that all landfills play to the same rules. The South Australian model has been raised as a potential option, however they hope to at least insist a third party owns/manages the levy monies and the funds are hypothecated to waste projects.

Case Study – South Australian Container Deposit Scheme
In 1975, the South Australian Government introduced Container Deposit Legislation, the principle of which 'is based on the "Polluter Pays Principle", whereby the consumer incurs a monetary penalty at point of purchase, which can be redeemed in the container is returned' (KESAB n.d.).

KESAB Environmental Solutions argue that Local Governments in South Australia are in support of this Container Deposit Legislation as

> 'Cost savings come from less labour needed for cleaning up roadsides, parks and beaches, reduced cost of kerbside collection through reduced volume and increased value of material collected and savings in landfill space' (n.d.)

In addition to these advantages,

> 'It should also be noted that Local Government and its contractors receive revenue from the deposit containers collected via kerbside and other methods - $50,000 and $90,000 per annum identified by two independent councils. It is important to note, however, that these benefits only reflect a redistribution of income, not additional benefits associated with CDL. That is, councils benefit from ratepayers foregoing redemption of their container deposits.' (Philip Hudson Consulting Ltd, 2000, p. 25).

WALGA has developed a Policy Statement on Container Deposit Systems (2008). In this document it is stated that Local Government endorses Container Deposit Systems and considers the key outcomes of such schemes being

- Clear, sensible and effective designations of responsibility for the management of lifecycle impacts of products;
- Improved valuation, pricing and incentive mechanisms;
- Greater investment in infrastructure and research and development and continuous improvement; and
- Greater transparency and accountability.

4.2 International Funding Models

Case Study – International Funding Models
In their report on 'Delivering Key Waste Management Infrastructure: Lessons Learned from Europe', the Chartered Institution of Wastes Management (CIWM) comments that the success experienced by a number of European countries in regard to waste management facilities can be attributed to public involvement and ownership (2005, p. 61). Table 1 outlines common financing themes.

TABLE 1. Financing Themes Common to the Selected European Countries

	Common Financing Feature	Member State (s)
1.	Sharing of risk between municipality and contractor	Germany, Austria, Denmark, Sweden, Netherlands
2.	Creation of special purpose vehicles with provision for "prudential" style borrowing	Austria, Germany, France, Denmark, Sweden
3.	Local, transparent taxation for waste management investment	Denmark, Sweden, Netherlands, Germany
4.	Securing contracts for additional waste streams to reduce gate fees for the municipality	France, Germany, Netherlands, Sweden, Denmark

Source: CIWM 2005, p. 61

As CIWM argue, the most common approach in the most 'successful' countries is

> '…one of shared risk between the municipality and the main contractor so that the incentive for both sides to deliver is equal, which has clearly been effective… As long as technology delivers, there is no reliance upon variable markets that might threaten the financial viability of a facility' (2005, p. 61).

4.3 Funding Other Facilities

Throughout Australia there are a number of different funding models available to assist Local Governments in building community infrastructure. The following examples highlight the structure of schemes outside of the waste area. These examples have been provided to present alternative funding model design which could be appropriate for eventually funding waste management activities.

Community Sports and Recreation Facilities Fund (CSRFF) – WA
The CSRFF program is administered by the Department of Sport and Recreation (DSR) in order to 'provide Western Australian Government financial assistance to community groups and local government authorities to develop basic infrastructure for sport and recreation' (DSR 2010). The CSRFF has an annual allocation of $20 million and

> '…operates on a reimbursement system. Grantees are required to demonstrate that they have expended the funds equivalent to the full cost of project before CSRFF grants can be paid in full. CSRFF grants can be paid in full…Applicants will need to ensure they are able to carry the full cost of the project for the period between project completion and CSRFF grant payment' (DSR 2010).

The types of projects funded by the CSRFF include the construction of new sport and recreation facilities, upgrading existing infrastructure and floodlight projects.

In addition to these requirements, the DSR is committed to 'ensuring that the principles of sustainability are incorporated in the planning process of sporting infrastructure' (DSR 2010). The key elements of sustainability include:

- Social sustainability – contribution to developing social capital and capacity building;
- Economic sustainability – elements of organisational and financial sustainability; and
- Environmental sustainability – responsiveness to water conservation, energy efficiency and waste minimisation (DSR 2010).

Riverbank Grants Scheme
The Riverbank Grants Scheme is administered by the Swan River Trust, which has distributed more than $6 million across 132 projects since 2002 (SRT 2010). The aim of the Scheme is to 'significantly improve shoreline condition and reduce the impact of threatening processes on biodiversity, infrastructure, cultural and social amenity values through the broader Riverbank Program' (SRT 2010). Funding through the Riverbank Grants Scheme is available to both Local and State Government agencies for foreshore rehabilitation and protection activities. Grant allocations are guided by the recommendations outlined in the Trust's 'Swan and Canning Rivers Foreshore Assessment and Management Strategy'.

Funding through this Program is based on a cost-sharing arrangement.

Carbon Trust
In 2010, the Australian Carbon Trust released a document seeking Expressions of Interest from organisations interested in co-investing in energy-efficient projects. The Carbon Trust is an independent public company set up by the Australian Government with over $75 million in initial funding in order to 'provide finance and advice to Australian businesses and the wider community under innovative programs to catalyse investment in, take-up and use of energy-efficient technologies and practices for cost-effective carbon reductions' (Australian Carbon Trust 2010, p. 3).

The focus of this project will be to make co-investments to encourage private sector investment in retrofitting existing infrastructure in order to make them more energy efficient. In regard to the distribution of funds, funding is provided 'primarily through revolving loan funds and alternative structures in order to achieve long-term financial sustainability' (2010, p. 3). The intention is that returns on investments will be re-invested into other projects that further the Trust's mission.

5. Meeting the Needs of Local Governments

5.1 What would Local Government expect to be funded?

Currently there is an absence of baseline funding for Local Government waste management activities. All current schemes focus on new developments and upgrading existing infrastructure. Providing funds across Local Governments to enable the equalisation of service provision, does not occur in Western Australia. The Federal Assistance Grants (FAG) for Local Government recognises that not all Local Governments have the rate-base to provide many services, and consequently funding for these baseline services is provided. The waste and recycling expenditure category is considered by Local Government Grants Commissions in all Australian jurisdictions except Western Australia and New South Wales. In Western Australia waste management has been considered to be a service provided on a full cost recovery basis and therefore should have no impact on grant allocations if both the revenue and expenditure is included.

Through the Council of Australian Governments (COAG), the Federal Government has been pushing the reform of infrastructure throughout the country. As acknowledged in the 2007 'Infrastructure Report to COAG',

> [q]uality infrastructure is critical to Australia's economic and social development. The provision of adequate and efficient infrastructure is essential to maintaining Australia's economic prosperity and our standard of living (Australian Government 2007, p. 4).

The infrastructure recognised as priorities by COAG, and therefore the industries in receipt of Federal funding, are 'roads and rail', 'airports', 'energy', 'water', and 'telecommunications'. If waste management infrastructure is not considered as an infrastructure priority, there can be no expectation that these services will be funded at either State or Federal levels.

This is also reflected in Infrastructure Australia's 'Reform and Investment Priorities' which fall under the headings: 'Transforming Our Cities', 'Adaptable and Secure Water Supplies', 'A True National Energy Market', 'Competitive International Gateways', 'National Freight Network', 'A National Broadband Network' and 'Essential Indigenous Infrastructure' (Infrastructure Australia 2010). As waste infrastructure does not fit within these parameters (although it could potentially fit in with 'Essential Indigenous Infrastructure' although the list of infrastructure priorities have not be identified), these facilities are unlikely to be funded through this agency.

There is an expectation that any funding scheme will have a long-term commitment, as opposed to one-off, capital injections. There is also an expectation that any future funding will tie into targets and strategies set out in a Waste Strategy for WA. Consequently, any targets set out in the Strategy should be backed up by investments in programs and infrastructure to ensure the success of these strategies.

To ensure the smooth-running of any grant, it has been suggested that a dedicated person within DEC (or the agency administrating the grant) be responsible for the grant. This person could also act as Local Government liaison, who could act as a go-to person for Local Governments in regard to the siting of infrastructure, the allocation of specific resources and approvals queries. At the moment it is perceived that there is limited expertise within the Waste Authority and the DEC to provide this information to Local Governments.

5.2 Local Government Feedback

Towards the end of 2010, MWAC canvassed WA Local Governments for their comments in regard to funding provisions for waste infrastructure and services throughout the State. MWAC received a representative sample from across WA, including remote Local Governments and regional centres.

Grants
Respondents have received funding from various programmes including the National Packaging Covenant, Strategic Waste Initiative Scheme (SWIS) grants, the Zero Waste Plan Development Scheme (ZWPDS), Strategic Waste Management Plans (SWMP), Household Hazardous Waste (HHW) programme, and the Used Oil Scheme.

Generally, Local Governments were critical of the SWIS grants, which are funded through the revenue raised from the Waste Levy. Local Governments commented that in the past the Scheme was integral to the funding of important projects and services, however, over the past few years funding has been limited to Waste Authority priority areas. Criticisms included that the projects the Scheme looks to fund often target areas of waste management that many regional and remote Local Governments have not even begun looking at, or that do not considering the needs of Local Governments and the community to achieve desired outcomes. As a result, many Local Governments miss out on funding because their needs to not correspond with scope of SWIS projects.

Another criticism of the SWIS grants is the disproportionate costing, for example, one Local Government mentioned that $100, 000 was offered but $20,000 of the money was required to administer the programme (auditing etc). The small amount of funding available (up to $100,000) was criticised. Another Local Government mentioned that the application process had been reduced to a 1-2 page application, making it difficult to describe comprehensively the project that required funding. The approvals process was also criticised as being too long:

> ‘Local Government’s budgeting process begins in early February, and to apply for funding and not knowing if they will be successful makes applications of high value difficult.’

One Local Government even made the following suggestion:

> ‘Local Government budgeting process commences as early as December for the following financial year. Any potential funding would need to be approved by December to allow for inclusion in the following year’s budget preparation. Ability to drawdown on funds approved on a regular basis (upon receipt of development invoice) would be necessary for ease of the financial management by Local Governments.’

A number of Local Governments did comment on the helpfulness of the DEC Grants Officer in charge of the accounts, highlighting the importance of having one person responsible for providing support and providing a link between the grant recipient and the Waste Authority.

Feedback on the ZWPDS and SWMP programmes were positive, in particular the funding available to resource the development of waste management plans, however, there was not enough money available for detailed waste audits and waste data collection. Local Governments mentioned that the application process was relatively easy, and that the approvals process was made easier utilising the services of an officer from the DEC.

Other comments from regional and remote Local Governments included the lack of funding for grants schemes outside of the metropolitan area. For example, Wren Oil does not service in the Kimberley area, and there is no storage for Household Hazardous Waste in East Kimberley. In addition, previous e-waste collection days only serviced the Perth Metropolitan Area.

One respondent mentioned that the Used Oil Scheme continues to be a benefit to their Local Government and finds that the application/acquittal process for this programme to be very easy.

Future Grants Schemes
All respondents were in support for full funding, with one respondent commenting that

> 'the State Government/ Waste Authority should develop clear strategies on the siting and types of waste management processes and infrastructures, from which full funding is made available to Local Governments. Local Governments provide ample co-contributions (as high as 25%) in the management of waste and recycling (collection services, MRF operations etc) throughout the State.'

One respondent added, however, that if co-contribution was the way future funding was to be distributed, the contribution should include cash as well as in-kind as projects require in-house time and resources such as officer's time.

All respondents were in support of long-term funding. One respondent commented that a long-term commitment would be preferable, especially considering most new technologies need to be funded for 20-25 years. They also suggested that the Waste Authority give support for small interest loans from State Treasury would assist in fast-tracking a number of projects.

One respondent commented that they would expect from future funding money specific to a project on a case-by-case basis and linked to the Waste Strategy for WA. Another Local Government commented that there is an expectation that funding would be received in order to construct facilities to manage was as per the requirements and targets of the WARR Act. One Local Government suggested promoting more of a link between the Waste Levy and alternatives to landfill disposal by ensuring the there was

> 'ongoing regular funding to allow the set up of small local recycling centres where the coordination of waste handling initiatives can be pushed into the community… the funding needs to be secure and ongoing (as opposed to a grant which can have a finite life) to set up the various initiatives required in the hope that they can also generate profit which goes back into the project.'

There was a concern that many directives in Draft II Waste Strategy have potential budget implications for Local Government that need to be adequately funded:

> 'Currently most Local Governments are operating at a capacity with limited staff so any expectation of increased service levels above and beyond the day to day and regulatory requirements needs to be fully funded inclusive of a staffing component.'

This is of particular concern for regional and remote areas. Many Local Governments commented that they expected more funding in the future for non-metropolitan Local Governments.

Voluntary Levy
An overwhelming majority of respondents were against the implementation of a voluntary levy, similar to that currently implemented in Tasmania. Many respondents agreed that the Waste Levy already in place collects

more than enough money to adequately fund Local Government waste management projects, although the majority of this money goes back to the State Government instead of waste reduction strategies. It was mentioned that the imposition of another waste levy would result in further angst for users of Local Government waste disposal facilities, it would be difficult to administer and problematic to provide equitable distribution of funds. In addition, the concern was raised that the implementation of a voluntary levy could send the wrong message to the State Government resulting in the withdrawal or withholding of support on the assumption that Local Governments were receiving adequate funding through another stream.

Further comments
Overall, there is support for a role for the State Government in bringing many regional and remote Local Governments up to a baseline where they are covering basic recyclables. There were many comments in relation to the delay in the release in the Waste Strategy for WA, and the subsequent lack of direction for Local Governments and the wider waste industry as a result. In addition, the proposed timeframe covered by Draft II of the Waste Strategy was criticised as not being long enough:

> ‘Given the timeline required to bring about new investment in waste infrastructure is between 7 and 10 years, the focus of the Waste Strategy would be more realistic at perhaps 20 years, with 5 year review periods that take into account changes such as costs and emerging technologies’.

The collection and processing of e-waste was raised as a concern for many Local Governments, both in the metropolitan area and regionally. Many Local Governments mentioned that the collection and processing of problematic waste such as e-waste should be funded by the State and Federal Government. One Local Government commented that the collection and processing of e-waste

> ‘is expensive so it is particularly important that the producers of these products be made to contribute to their recycling (by way of levy on sale price). Funding needs to be provided to develop ongoing initiatives asap as this waste stream is only going to get larger and larger with the illegal dumping of the material becoming an ever increasing cost to Local Governments (and the community as a whole).’

There is also support from many Local Governments for a Container Deposit Scheme in WA, particularly amongst those representing regional and remote areas.

6. Recommendations

The following recommendations have been made with guidance from the research and feedback documented above. It is proposed that the following recommendations assist the Municipal Waste Advisory Council in prioritising advocacy activities as regards funding for Local Government waste management activities in WA.

Local Government feedback has highlighted a number of concerns with the delivery of funding programmes. It is recommended that MWAC develop a set of principles that will guide the advocacy strategies as they relate to funding programmes for Local Government. For example, it has been raised that the funding schemes currently in operation do not currently cover the concerns and needs of regional and remote Local Governments. It is recommended that for future funding programmes, MWAC will engage with the funding agencies to ensure that there will be adequate funding for regional and remote Local Governments.

The Draft II Waste Strategy for WA outlines a number of targets and strategies, many of which will impact on Local Government. There is no indication, however, that funding will be made available to Local Governments to ensure that targets are met. In addition, as outlined in Draft II Waste Strategy for WA, there is a drive towards increasing service levels of regional and remote waste management services (in particular landfills). It is recommended that MWAC support funding that is linked to the Waste Strategy, but ensure that Local Government concerns are met.

Local Governments are in support of long-term funding options, particularly when the development and operation of waste management infrastructure, and ongoing staffing, is taken into consideration. It is recommended that MWAC advocate for long-term funding schemes for Local Government in their engagement with the Waste Authority.

In the feedback, Local Governments also indicated a preference for full-funding, as opposed to co-contribution models. If co-contribution is the model that future grants are based upon, it is recommended that the contribution should include cash and in-kind contributions.

Recommendation
That the Municipal Waste Advisory Council develop a set of principles outlining Local Government priorities regarding the scope of funding programmes for waste management activities, including:

⇒ Will the programme provide adequate funding and support for regional and remote Local Governments?
⇒ Does the funding ensure the meeting of targets set out in the Waste Strategy?
⇒ Does the funding programme reflect priorities outlined in the Waste Strategy?
⇒ Is there a long-term funding commitment?
⇒ Does the programme commit to funding in full or, if co-contribution is pursued, does the contribution include cash and in-kind?

The Feedback indicates support for programmes such as the development and implementation of the Strategic Waste Management Plans which focused specifically on addressing the needs of Local Government. MWAC should continue to support such funding schemes for Local Government.

Recommendation
That the Municipal Waste Advisory Council continue to support the development of specific funding programmes that relate specifically to Local Government waste management activities.

Concern over the use of WARR Levy funds was raised by a number of Local Government respondents. Currently 75% of the money raised through the Levy funds the operations of the Department of Environment and Conservation, with 25% allocated for waste activities (however, the Waste Authority and the Office of the Waste Authority are also funded from this 25%).

The WALGA Policy Statement on Waste Levy and Strategic Waste Funding states that 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. The primary rationale supported by Local Governments 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.'

In addition, the Policy Statement states that:

> '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.'

It is recommended that MWAC continue to challenge the State Government on the distribution of money raised through the Levy, in order to ensure that adequate funds are allocated to waste management activities for Local Governments.

Recommendation That the Municipal Waste Advisory Council continues to advocate for increased WARR Levy funds to be hypothecated for strategic waste management activities.

In the feedback received by MWAC, strong support for Container Deposit Systems (CDS) was given, especially if it ensures base-line funding for Local Governments. WALGA already has a Policy Statement on Container Deposit Systems, whereby support is given for such schemes. Continued support should be given for the implementation of CDS in WA.

Recommendation That the Municipal Waste Advisory Council continues to support the introduction of Container Deposit Systems (and other Extended Producer Responsibility schemes) in Western Australia and nationally.

MWAC is aware of a number of regional and remote Local Governments accessing funding from Royalties for Regions grant programmes for waste management activities. It is recommended that MWAC investigate the potential uses of Royalties for Regions funding for larger waste management projects in regional and remote Local Governments.

Recommendation That the Municipal Waste Advisory Council investigate the potential for Royalties for Regions programmes to fund larger waste management projects in regional and remote Local Governments.

7. References

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APPENDIX 1. Contractual Arrangements.

Contractual arrangement	Description
Build Own Operate (BOO)	Similar to BOOT projects, but the service provider retains ownership of the asset in perpetuity. The government only agrees to purchase the services produced for a fixed length of time.
Build Own Operate Transfer (BOOT)	BOOT involves the private sector in the provision of new infrastructure. Private consortiums can finance and construct infrastructure, with the consortium owning, operating and carrying end-user risk. The consortium operates the infrastructure for a time period under a concession or franchise awarded by the government, and derives revenue from this arrangement. At the end of the concession/franchise period, ownership is transferred to the government. The BOOT method features long-term maintenance of infrastructure. This method is used when a revenue source is available, independent of government revenue.
Design & Construct (D&C)	Under a D&C, the owner contracts with a single entity that is responsible for both design and construction. Thus the contractor employs the designer through external consultants, or designs "in house". In relation to AWT facilities in particular, the SMRC facility is the only one built under this contract in Australia at the time of going to print. *Advantages:* ▪ Reducing cost and time through the contractor having input into the constructability of the design ▪ Relative certainty of price by having the constructor prepare and take responsibility for its own quantities, rates and lump sums ▪ A single line of responsibility for the design and construction phases, rendering it unnecessary to distinguish between defect in design and defects in construction ▪ Reduced claims and disputes by eliminating the interface between the owner-employed designers and contractors under a tradition contract. *Disadvantages:* ▪ There can be considerable investment required in the preparation of D&C tenders including a significant demand on resources from multiple design and construction organisations. In a tight labour market this may be difficult.
Alliance	An agreement between two or more entities that undertake to work cooperatively on the basis of sharing project risk and reward, to reach agreed outcomes. Alliances take a team approach and are based on principles of good faith and trust. Parties involved agree on the target cost estimate for the project. A Board is established to manage the contract with membership from each of the entities involved in the project. The Board is the decision making and managerial body, and participants relinquish any entitlements to legal or equitable courses of action against any other participants, except in situations of wilful default or possible insolvency. Alliance contracts are characterised by proactive collaboration and strong relationships with all involved, working towards optimum project outcomes and minimisation of the conflicts and disputes sometimes associated with a traditional contract. By working together, risk is embraced, uncertainty is dealt with, and flexibility allows for issue resolution. A feature of these contracts is a 'no disputes' clause, where partners agree not to use arbitration or litigation as a disputes resolution technique. Alliances are effective where a strategy of embracing risk is more appropriate than transferring risk.

Source: Adapted from MainRoads (QLD) 'Contracts' (Factsheet). Accessed 19 November 2010 at http://www.tmr.qld.gov.au/~/media/4f5b1a17-8fe0-4255-9515-f0407f678fe1/contractsjanuary2009.pdf
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