

DRAFT PROPOSAL FOR A WASTE LEVY IN NEW ZEALAND

This draft proposal for the introduction of a levy on waste has been prepared by members of local government and waste industry (convened by the Ministry for the Environment) It is intended as a discussion paper for interested parties to consider before a formal proposal is submitted to the Minister for the Environment for the consideration of government.

This proposal is conceptual in nature and it is acknowledged that further work will be required on the detail before any scheme can be formally proposed. The eventual scheme will of necessity require compromise in the interests of waste minimisation.

All participants felt it was important that any legislative implementation of a scheme of this nature would require significant consultation with all interested parties.

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1 Introduction

This draft proposal for the introduction of a levy on waste has been prepared by a group of representatives of local government and the waste disposal and recycling industries convened by the Ministry for the Environment.

The development of the draft proposal is a significant step forward in trying to find common ground between local government, the waste disposal and recycling industries and other parties on a consistent means of providing revenue supporting the implementation of the New Zealand Waste Strategy and the waste minimisation activities of the whole community (including territorial authorities, waste & recycling industry, business and private citizens). Those who participated in the development of this draft proposal are listed in Annex I.

At this stage the proposal reflects only the view of the local government and waste and recycling industry representatives involved in its development. It does not represent government policy. Nor, at this stage, does it represent the collective view of local government or industry. If however, a consensus of parties can be reached through further discussion on an approach to waste levies, the proposal will be submitted to the Minister for the Environment for the consideration of government.

2 What is the proposal?

The proposal is to introduce a levy on all solid waste going to “final” disposal facilities (in landfills and waste incinerators, etc.) in New Zealand with the regimes applied to cleanfills and monofills to be considered subsequently¹. Waste for final disposal excludes waste that is recovered, reused, or recycled for some beneficial purpose such as making paper, compost, glass and plastic products, whether in New Zealand or overseas.

3 Why is there a proposal now for a waste levy?

Several factors have contributed to the development of a proposal to introduce a waste levy on a nationally consistent basis. These factors are:

1. The need for a source of funds to support the waste minimisation activities needed to implement the 2002 New Zealand Waste Strategy. These funds are required for:

¹ From an administrative perspective it is considered that it will be simpler if the regime applies initially to landfills which are a smaller number of identifiable facilities and consideration be subsequently given to extending the regime to facilities such as cleanfills and monofills. It was noted there might be differentiation between different waste streams received into cleanfills. An example of this is the scheme adopted in Canterbury. Further work also needs to be done on the RMA criteria for such cleanfills and making this universal across the country to prevent waste migration to these facilities. It is considered this work needs to be done within twelve months of the commencement of the scheme.

- the waste minimisation activities of territorial authorities in waste management plans prepared and authorised under the Local Government Act; and
 - for other parties who can develop and implement sustainable waste minimisation initiatives that meet the criteria for distribution.
2. The legal challenge to the by-laws introduced by a number of individual local authorities authorising the collection of local levies. The High Court has ruled that the by-laws are *ultra vires* and unreasonable². This decision requires a rethinking of the approach towards waste levies.
 3. The concerns of the waste management and recycling industries about an inconsistent approach to the use of levies distorting competition.

4 Do other countries use waste levies?

Waste levies are used in a variety of other countries including Australia and several countries in Europe. Some overseas examples are discussed in Annex II.

5 What is the purpose of a waste levy?

There are two purposes served by the use of a waste levy.

1. To provide a source of funds to support sustainable waste minimisation initiatives including public and business education, the collection of recyclable material and 'start-up' support for alternatives to disposal including community and business resource recovery projects.
2. To create economic incentives and disincentives that reduce the amount of waste.

These purposes complement each other. If people are motivated to reduce waste they still need information and options that make acting on this motivation easy and practicable.

6 Who would pay the levy?

The levy would be paid to the central funding agency (the "Board") in the first instance by those disposing of solid waste into landfills or to other final disposal facilities. For example it would be paid by the companies or other parties (including householders) taking rubbish to a final disposal facility. To enable final disposal operators to recover the levy from its customers there must be clear statutory authority requiring the customers to pay such charges.

In practice, the cost of the levy would flow back to waste generators whether these are households or businesses. It is vitally important in the attempt to achieve a behavioural change to ensure the waste generator ultimately pays the levy. In many circumstances payment of the levy could be avoided by ensuring cleaner production, or that waste generated is used beneficially such as by composting, mulching green waste or recovering recyclable plastic and metals.

² Reference the High Court decision

7 On what basis would a levy be charged?

The levy would be charged on the basis of the weight of waste. Establishing the weight of waste going to final disposal is relatively simple as most major landfills have weigh bridges. Standard “weight equivalents” could be used in the rare circumstances where landfills do not have weigh bridges and users are charged on a per-unit basis

8 Should any wastes be exempted from the levy?

While there should be a presumption against exemptions, there may be circumstances where it would be unreasonable, unfair or even environmentally inappropriate for a levy to be charged. The ability for the Board to issue a rebate, based on a claim in specific circumstances which had significant environmental benefits, should be provided for, e.g. material from remediation of contaminated sites.³ The proposal is that such waste would attract the levy but a developer might subsequently attempt to claim a rebate from the Board

The circumstances under which any waste stream was potentially able to claim a rebate from the levy need to be approved by the Board and clearly specified.

9 What would happen to the levy revenue?

Levy revenue would be paid to the Board - a centralised and autonomous administrative body.

The administration costs of the controlling Board (limited to lesser of a 2% or one million dollars per annum) would be a first charge on the fund.

The balance is then spilt into two portions as per the table in para 11.

The first portion is distributed to councils⁴ who would receive the costs of waste minimisation initiatives contained in their statutory waste management plans. Such costs would however be capped on a population basis (with the suggestion that some of the smaller councils should perhaps be allocated a greater percentage (eg up to 120% of their population share) of the TLA portion – to address the fact that their

³

- It is thought philosophically that all waste including as **biosolids** should be subject to the levy so as to incentivise beneficial use of those waste streams. There are however some TLAs that do not agree and consider biosolids should be exempt/or potentially be able to claim a rebate for an introductory period to put alternatives in place. Others felt that there should be no distinction made between this waste stream and other waste streams.
- It has been suggested that TLA clean ups of **fly-tipped waste** might also be subject to potential rebate.
- Another option that might be considered is staged application of the levy to certain waste streams.

⁴ Of course some of the funds that are paid to TLA’s may find their way back to the private sector because of local initiatives put out to contract or commissioned by TLA’s.

costs are likely to be greater due to economies of scale etc). All waste management plans are to be developed in a transparent and open way with consultation occurring with all affected parties.

The second portion would form part of a contestable fund that could be accessed by local government, waste & recycling industry, businesses, community groups and other parties. In years one and two any unspent or unallocated TLA funds would fall into the contestable fund.

10 What things would the levy revenue be spent on?

Expenditure of levy revenue would be limited to activities and services that reduce the generation of waste or encourage the reuse, recycling or recovery of wastes. These are commonly referred to as “waste minimisation” activities.

Levy distributions would be spent on waste minimisation activities i.e. activities that

- Improve public (including business) knowledge on wasteful behaviour to encourage waste minimisation;
- Improve the efficiency of businesses in the use of material resources, i.e. cleaner production;
- Facilitate waste exchanges and resource recovery centres;
- Divert waste from final disposal such as kerbside⁵ and other recyclable collection schemes (including putrescible waste for composting);
- are innovative waste minimisation projects which require ‘start-up’ support but are sustainable economically (and environmentally) long term;
- fund waste education and/or waste minimisation officers;

(It will be important that any council funding is limited to the net costs of a particular waste minimisation activity i.e. also takes into account income from that activity.)

The Board might also consider in years, one and two only, funding from the contestable fund, applications by councils to develop or refine waste management plans.

The levy would not be spent on activities that:

- Affect competition between businesses (including local government businesses);
- Are not sustainable;
- Are, or subsidise, inherent parts of waste disposal (such as the costs of waste collection, refuse transfer station operation or landfill management)⁶.

⁵ It was not agreed by all parties that kerbside collection of recyclables should be funded philosophically on the basis that it is part of the statutory function or a ratepayer service.

⁶ This is intended as an indicative rather than a definitive list which can be further considered during the process of discussion.

Criteria will be established that enable councils and the central funding agency to make clear and consistent decisions about what activities are fundable through levy revenue. There was clear agreement that the funds could not be used for general council expenditure or fall into a general fund e.g. swimming pools.

The contestable fund may focus on all initiatives or projects that have the potential for wider application ranked on criteria yet to be developed.

11 How much would the levy be?

The table below would be the basis for further analysis of the introduction and distribution of a waste levy.

	2006	2007	2008	2009	2010
Levy	\$10/tonne	\$20/tonne	\$30/tonne	\$?	\$?
% TLA Component	100%	75%	50%	50%	50%
Contestable Fund %	0%*	25%*	50%	50%	50%
\$ TLA	\$10	\$15	\$15	\$	\$
\$ Fund	\$0*	\$5*	\$15	\$	\$
Indicative total revenue from landfills ⁷	\$32 Million	\$64 Million	\$96 Million	?	?

All amounts are GST inclusive.

* any unclaimed or unspent TLA funds to be directed back into the contestable fund)

Any increases in the quantum of levy payable beyond year 3 will be subject to review with decisions from the year three review effective from and including year 4 onwards.

12 Would there be reviews?

There will be a formal review by the Minister of the Environment (following consultation with all interested parties) every 3 years of the rate and all facets of the levy system that is put in place.

⁷ These figures are based on 3.2 million tonnes of waste disposed to landfills in New Zealand. This is a 2004 estimate by Waste Not Consulting in a June 2005 report to the Ministry for the Environment

13 Who would collect and administer the levy revenue?

The levy would be collected by those operating landfills or other waste disposal facilities⁸.*

A small independent administrative secretariat would be established/commandeered⁹ from another agency to support the Board. This would be responsible for:

- Receiving and accounting for levy revenue
- Distributing and monitoring the use of revenue allocated to all parties including territorial authorities;
- Servicing the Fund Board administrative requirements;
- Reviewing proposals for allocation of money from the contestable part of the fund and making recommendations to the Board;
- Managing any contracts let by the Board;
- Ensuring compliance of final disposal facilities in collecting and paying the levy to the Board.

Returns would be submitted by the levy collectors every calendar month to the fund administration. If returns are based only on weight these should be simple and able to be administered electronically.

The fund would be governed by a Board drawn from local government, industry and the community (with an even representation from the public private and community sectors). Board members would be appointed by the Minister for the Environment on the basis of their experience and ability and would not be representatives of any sector group. One member would be appointed by the Minister as Board Chair. The role of the Board is to:

- Ensure that the laws and policies applying to the levy fund are soundly administered;
- To make, review and approve policies for the administration of the Fund;
- To appoint a fund administrator and set the terms and conditions of appointment;
- To approve expenditure from the contestable portion of the fund in a consistent manner;
- To approve the allocation of funds in accordance with the agreed formula and criteria.
- To review the expenditure from the fund to assure that the fund gets value for money and funds are expended as intended/approved;
- To develop and review the criteria upon which waste minimisation initiatives in waste management plans will be assessed in terms of funding to TLA's;
- Audit expenditure of funds by other parties (including TLAs).¹⁰

⁸ Note that further work is needed on the definition of the point of disposal (i.e. landfill, cleanfill and/or incineration).

⁹ It is possible MfE may assist in providing some resource for this function.

¹⁰ Some parties felt it might be useful if the Board commissioned, collated and disseminated information on best practice as these emerged from funding proposals and researched particular "solutions" for particular waste streams. Others felt the Board should play a more passive role.

14 What are the benefits and costs of introducing a waste levy?

This is not a full cost benefit analysis although one will be taken prior to any recommendations being made to the government. It is a short commentary on the major costs and benefits involved in the proposal. The costs and benefits are not quantified.

Benefits

- Environmental benefits (reduction in the environmental externalities of waste disposal);
- A reduction in waste generated and costs of disposal avoided;
- Additional activities that recover reuse and recycle wastes with consequential benefits and disposal costs avoided;
- A well-informed public and business community that participates in waste minimisation activities;
- A nationally consistent approach to waste levies;
- Reduction in costs to ratepayers (to the extent that services previously met through rates are met from levy revenue).

Costs

- Higher costs for waste disposal per tonne
- Compliance costs for those collecting waste levies
- The costs of levy implementation and administration¹¹

Distribution of costs and benefits

A feature of this levy proposal is that those meeting the costs will not necessarily benefit proportionally from the levy revenue. Some costs previously borne by ratepayers will be borne by a wider group of waste producers

15 What would a waste levy mean for households and business costs?

The answer to this question depends a lot on the amount of the levy and the nature of the household or business. Some information drawn from Christchurch City however, gives an indication of the limited cost impact of a levy set at \$20 a tonne.

In Christchurch¹², some 765 kg of waste per person is disposed to landfill of which 45% comes from domestic sources. On this basis a \$20 a tonne levy would cost an individual \$6.88 a year or a household of 3 persons \$20.64.

In Christchurch there are 30,800 businesses which, on average, dispose of 4.7 tonnes of waste a year. This equates to \$94 per business per year for a levy of \$20 a tonne.

¹¹ Assistance in completing this section from councils and industry who have considered the costs and benefits would be welcomed

¹² This may not be representative of the proportions attributable to the domestic and business sectors in other centres.

While the levies proposed (by the start of year 3) represent a high percentage increase in waste disposal fees these average annual amounts are small compared with other household and business costs.

16 What legislative provisions would be needed?

Legislation would be required to:

1. Establish a new body to collect and administer funds
2. Provide clearly power for the body to collect levy revenue and disperse funds.
- 3 To enable final disposal operators to recover the levy from its customers there must be clear statutory authority requiring the customers to pay such charges.

ANNEX I Membership of the group

The names of the people participating in the development of this draft proposal and their affiliations are listed below

Bob Harvey	Mayor, Waitakere City
Gary Moore	Mayor, Christchurch City
George Wood	Mayor, North Shore City
Bradley Nolan	North Shore City
Alison Geddes	North Shore City
Grant Anderson	Waste Management New Zealand Ltd
Adrienne Miller	Waste Management New Zealand Ltd
Paul Bishop	EnviroWaste Limited
Eugene Bowen	Local Government New Zealand
Susan Edwards	Local Government New Zealand
Irene Clarke	Local Government New Zealand
Simon Collins	Christchurch City Council
Rob Fenwick	Living Earth Limited
Sarah Gordon	Recycling Operators of New Zealand
Bruce Gledhill	Recycling Operators of New Zealand
Murray Parrish	Carter Holt Harvey Ltd
Wayne Schache	Carter Holt Harvey Full Circle
Jon Roscoe	Waitakere City Council
Ewen Skinner	Consultant to the North West Alliance of councils

Paul Curtis of the Packaging Council of New Zealand also attended meetings as an observer

The working group was convened by Rachel Depree and Nigel Ironside the Ministry for the Environment

ANNEX II Waste levies in other countries

This information is provided to illustrate approaches taken towards waste levies in other countries. Those discussed below have similar purposes to the waste levy in this proposal. Some have differentiated levies and in most cases the revenue is tied to specific purposes. The UK landfill tax is part of general tax revenue with a proportion of the revenue set aside for waste reduction and management purposes.

Victoria and New South Wales are used to illustrate Australian examples. West Australia, South Australia and the Australian Capital Territory also have waste levies. The United Kingdom and Ireland are used to illustrate European approaches. Austria, Denmark, Finland, France, the Netherlands, Sweden and Norway have also introduced waste levies.

Victoria, Australia

Victoria has a landfill levy which is used for environmental protection and fostering environmentally sustainable use of resources and best practice in waste management. Levy revenue funds the activities of waste management groups, Sustainability Victoria (a special agency supporting) and the Environmental Protection Authority

The landfill levy structure reflects the difference in the magnitude of environmental risk posed by different waste streams and also seeks to accommodate regional differences. The levy was structured to increase by small increments over a 5 year period. The structure for 2006-7 is set out in the table below.

Rural Municipal Waste	Rural Industrial Waste	Metropolitan Municipal Waste	Metropolitan Industrial Waste	Prescribed Waste
\$A 6 a tonne	\$A11 a tonne	\$A8 a tonne	\$A13 a tonne	\$A26 a tonne

Since the introduction of the levy a variety of programmes and initiatives have been undertaken including:

- Substantial upgrading of kerbside recycling systems
- Expanding household chemical collections
- Development and promotion of markets for recycled material
- Major studies into waste minimisation, handling and disposal, organics recycling and litter control
- Community support projects

For further information about [Victorian Landfill Levies](#) check out this web site.

New South Wales, Australia

A new waste and environment levy for New South Wales commences on 1 July 2006. The levy on waste from the Sydney Metro area will be \$A22.70 and waste from other areas will be \$A15. The levy will increase each year by \$A1 and \$A1.50 respectively until both fees reach \$A25.

The principal purpose of the waste levy is to act as an economic instrument to reduce the quantity of waste deposited in landfills and provide economic support for the recovery and reuse of material which would otherwise have been disposed of to landfill. For many years the NSW Government has directed a proportion of the levy funds collected back into a range of waste management and resource recovery programs, many of which provide direct assistance to local government.

Until last year, this funding was provided by way of the Waste Fund, which has now been transferred to the Environmental Trust. The Trust has had its objects expanded to provide specifically for programs which were managed under the previous Waste Fund.

United Kingdom

The United Kingdom has a tax on waste disposed to landfill. The aim of the tax is to encourage waste producers to produce less waste, recover more value from waste, for example through recycling or composting and to use more environmentally friendly methods of waste disposal. The tax is charged by weight and there are two rates. Inert or inactive waste¹³ is taxed at £2 a tonne and the rate for other wastes in 2006 is £21 a tonne with the expectation that the rate will increase by £3 a year to a maximum of £35. The tax is paid by the landfill operator and collected by Her Majesty's Customs and Excise Department.

Some 6.8% of the revenue gathered through the tax is recycled into a range of programmes designed to reduce waste and assist businesses make more efficient use of resources and make the most out of their wastes. In 2004, £284 million was allocated over 5 years for these purposes.

Republic of Ireland

The republic of Ireland introduced a waste levy in 2002 mandated under the Waste Management (Amendment) Act, 2001. The levy was to help Ireland meet targets in its 1998 waste management strategy, *Changing our Ways*. The levy encourages the diversion of waste from landfills and provided revenue for a new Environment Fund which was designed to support waste minimisation and "high-in-the-hierarchy" recycling initiatives. The levy proceeds are also used to improve enforcement measures.

The rate of the levy was introduced at €15 a tonne as a flat rate on all waste disposed to landfill with the rate rising at €5 a tonne subject to the review and revision of the levy. The idea of having a different rate for different wastes was considered but rejected. The levy is paid by monthly landfill operator (public and private).

The Irish scheme includes provisions for some wastes such as fly-tipped waste cleared by or on behalf of a local authority. Local authorities are given responsibility to enforce and audit compliance with the levy requirements in its functional area but levy revenue is transferred to the Department of Environment.

¹³ In New Zealand inert waste typically goes to Cleanfills

Glossary of terms

“Waste”

“cleaner production”

“sustainability”

“Waste minimisation initiatives”

“Final disposal facility”

“TLA”