

**ITEM NO: 5****SUBJECT: REGIONAL WASTE & ENVIRONMENT LEVY****FILE NO: F04862 – 09/025765**

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**Recommendations:**

1. *That the Mayor write to the Minister for Climate Change and the Environment, the Hon. Carmel Tebbutt, with a copy to the Member for Blue Mountains, Phil Koperberg, MP, requesting exclusion from the new regional regulated area (RRA) and a response to the Council's previous correspondence stating concerns about the extension of the Waste and Environment Levy.*
  2. *That the letter also seeks confirmation of the details provided by the Minister in relation to levy returns to councils.*
  3. *That a press release be developed to advise the Blue Mountains community of the extension of the Waste and Environment Levy and the likely impacts for each resident.*
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**Report by Group Manager Community & Corporate:****Reason for report**

The purpose of this report is to provide Councillors with a summary of the history, and likely impacts for the Blue Mountains, of the recently introduced Regional Waste and Environment Levy.

**Background**

In presenting the State mini-budget on 11 November 2008 the Treasurer identified the extension of the Waste & Environment Levy to a new regional regulated area (RRA) which includes all the coastal councils above Port Stephens together with Wollondilly and Blue Mountains councils. This change will raise significant income for the State Government.

Inclusion in the RRA means that the Council will be required to “contribute” a levy for every tonne of waste disposed to landfill. The levy is to commence at \$10.00 per tonne on 1 July 2009 and is to rise by a further \$10.00 per tonne (subject to CPI increases) each year until 2015/2016 when it will be around \$70.00 (in today's dollars).

This new “tax” will have a significant negative impact on the Council's ability to deliver future improvements and sustainable waste reduction/diversion practices.

The provisions supporting the new levy have been included in the Protection of the Environment Operations (Waste) Regulation 2005 (the Regulation). The Regulation details the operation of the Regional Waste & Environment Levy and identifies a process whereby councils can access a small portion of the contributed funds subject to meeting the requirements of “waste and sustainability improvement” guidelines established by the EPA. The Regulation further clarifies that eligible RRA councils will be able to access a payments

pool (\$1.4 million in 2009/2010 rising to \$3.9 million in 2015/2016) with payment made on a per capita basis.

The RRA is made up of the following councils:

Ballina, Bellingen, Blue Mountains City, Byron, Clarence Valley, Coffs Harbour City, Dungog, Gloucester, Great Lakes, Greater Taree City, Kempsey, Kyogle, Lismore City, Muswellbrook, Nambucca, Port Macquarie-Hastings, Richmond Valley, Singleton, Tweed, Upper Hunter Shire and Wollondilly.

The estimated population of the RRA is 742,000 based on data taken from the Local Government Directory. This indicates that, if deemed eligible, Blue Mountains would be entitled to approximately 10.3% of the pool value each year.

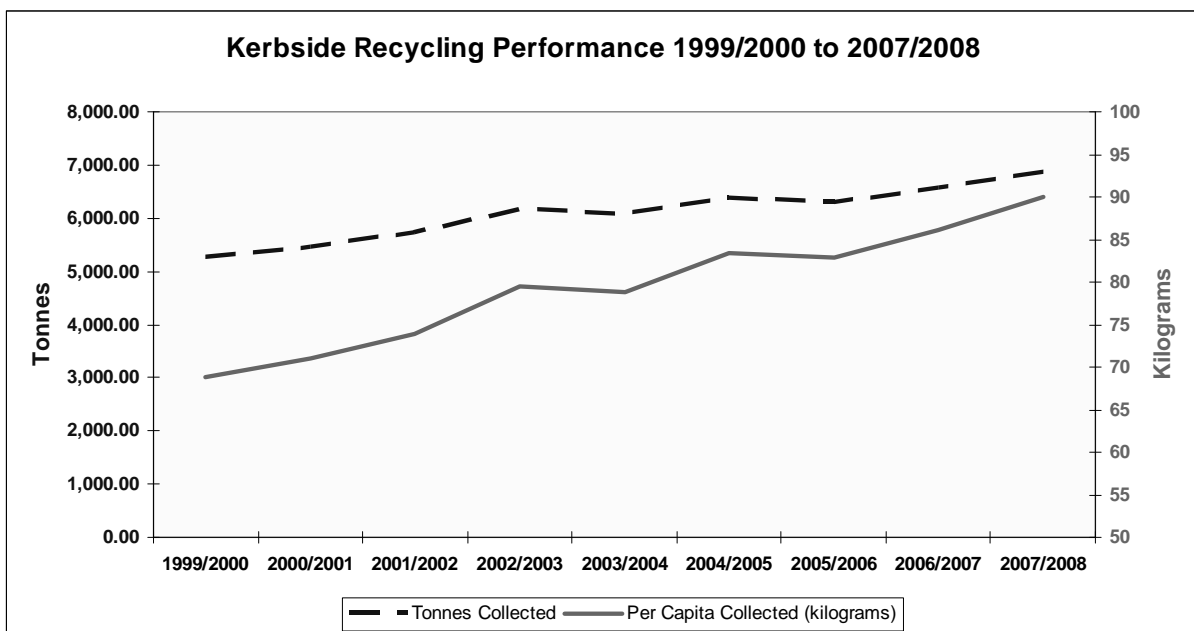
**Waste Management Achievements**

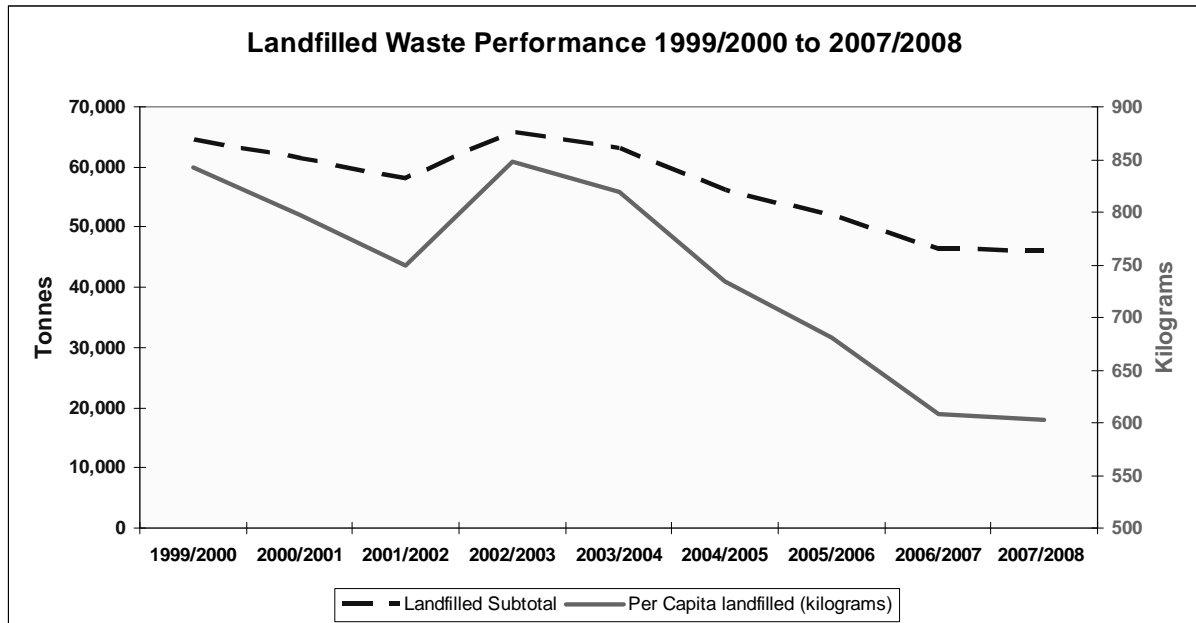
On 17 November 2008 the Council received correspondence from the Minister for Climate Change and the Environment, Carmel Tebbutt, supporting the introduction of the new levy and stating that:

*“The levy has been the NSW Government’s most effective tool in driving resource recovery, recycling and waste avoidance. In Sydney, the levy has meant that, even as both population and per capita incomes have increased, waste disposal across the metropolitan area has decreased by three per cent between 2000 and 2007/08.”*

The community of the Blue Mountains has already taken substantial steps to reduce waste. During the same period quoted in the Minister’s letter (2000 to 2007/2008) the Blue Mountains community increased the volume of material recycled at kerbside by over 30% and reduced the volume of waste disposed to landfill by over 28%. This is well above the three percent quoted by the Minister as being achieved as a result of the Waste Levy in Sydney.

These performances are detailed in the following charts:





The recent introduction of improved recycling based on the weekly collection of 140litre mobile recycling bins has had a further impact on waste diversion. Based on extrapolations of the collection data for the first six months of the service and an independent audit of material collected, it is expected that the recycling volume for 2008/2009 will increase by at least 30% over the volume collected in 2007/2008.

Additionally, the Council is currently developing the following waste reduction projects:

- Reduction of waste generation from commercial and industrial premises (including site audits, generic Waste Reduction Action Plans and a feasibility study for a Commercial Recycling service);
- Expanding community education programs to include a wider range of modules including energy efficiency and water conservation;
- Extended rollout of smaller 140L mobile garbage bin service for kerbside waste collection;
- Implementation of Alternative Daily Cover for landfill operations; and
- Construction and development of improved resource recovery facilities at Katoomba and Blaxland Waste Management Facilities.

### **Communication in Response to the Levy Announcement**

The Minister for Climate Change and the Environment also stated in her correspondence of 17 November 2008 that “the Government will return part of the levy proceeds to participating councils. Councils will be able to use these funds to improve landfill management and waste services.....For the first two years of the program, all revenues collected that are attributable to household waste will be returned for these purposes. Thereafter, this will revert to the 50 per cent rate that applies in the currently regulated areas.

The Council promptly responded to the Minister’s letter via a letter from the Mayor which included the following:

*“BMCC is strongly opposed to the introduction of the New Regional Waste and Environment Levy. We believe that the budget impact of the levy will reduce our*

*ability to provide effective waste avoidance, reduction and recycling programs to the Blue Mountains community, in effect reducing environmental outcomes for the community. The existing self funded programs implemented by BMCC for reducing waste to landfill (including hazardous waste collection, kerbside recycling, kerbside green waste chipping and many waste education programs) have been highly successful. We do not expect that any additional reduction of waste to landfill will be achieved by the introduction of the new levy.....*

*The DECC Sustainability Programs Division has published a Good Practice Target for kerbside recycling collection of 5.5 kg per household per week. BMCC introduced a new MBG based kerbside recycling contract in July 2008 which is already harvesting **7.5 kg per household per week, 45% above the Good Practice benchmark**. The NSW State Government claim that households in Council areas not subject to Waste and Environment Levies recycle 20% less is not accurate for the BMCC Local Government Area.*

*The long term waste strategy for the Blue Mountains involves the introduction of an AWT in the next 5-10 years. The new regional and coastal Waste and Environment Levy, rising to \$70 per tonne over the next 7 years (plus rise and fall), will thwart the ability of BMCC to invest in AWT as a long term waste disposal strategy due to any capacity for the community to pay for additional services and/or infrastructure being absorbed by the new levy.....*

*Effectively, the levy is a new tax on local communities that syphons revenue into the State Government's budget.*

*The implementation of a "One Size Fits All" approach to the new regional Waste and Environment Levy is not favoured. We believe that the Council areas which have the least proactive campaigns to reduce waste to landfill are not being captured in the new levy area and many Councils which have a wide range of innovative strategies and best practice (such as Blue Mountains) are being penalised in spite of excellent performance in waste management activities.*

*We request that the condition of the mini-budget which introduces the new Regional Waste & Environment Levy excludes the Blue Mountains Local Government Area due to the reasons outlined above. This decision will result in the continuation of BMCC's excellent and innovative waste reduction programs and ensure that the timely implementation of alternative waste technology for the further treatment of waste before landfilling is possible."*

Copies of the Mayor's letter were also forwarded to Phil Koperberg, MP (Member for Blue Mountains), Karyn Paluzzano, MP (Member for Penrith), the Hon. Bob Debus, MP (Member for Macquarie) and WSROC.

WSROC has responded by supporting the Council's request to exclude the Blue Mountains from the Regional Waste and Environment Levy in a letter to the Minister. The main aspects of WSROC's letter are quoted below:

*"I am writing to express WSROC's strong support for a submission made to you by the Mayor of Blue Mountains City Council in November last year, expressing serious*

*concerns about the effectiveness of the new Regional Waste and Environment Levy introduced in the November 2008 NSW Mini Budget.*

*In the submission, Clr Searle noted that an additional waste levy is now required of Blue Mountains City Council (and a number of other councils) based on a tonnage rate for landfill.*

*Clr Searle pointed out that this levy will have the effect of reducing the ability of Blue Mountains City Council to provide effective waste avoidance, reduction and recycling programs.*

*While the rationale for the new levy is to encourage diversion of waste from landfill, Clr Searle noted that Blue Mountains Council is already “ahead of the game” on this matter, and that the new levy will prove counter-productive to his Council’s future efforts.*

*While no doubt well intentioned and effective in many situations, it appears that the new levy will in fact prove to be a disadvantage in areas like the Blue Mountains, where it will simply not be complementary to initiatives that have already been taken to manage and reduce waste.*

*WSROC believes that this matter might be resolved by introducing the flexibility for the new levy to be waived in jurisdictions where it can be demonstrated that existing arrangements provide better and more effective outcomes. We certainly believe that this will be the situation in the case of Blue Mountains City Council, and would greatly appreciate the opportunity to meet with you, together with the Mayor of the Blue Mountains, Clr Adam Searle and other representatives of Blue Mountains City Council, in an attempt to resolve this issue in a timely and constructive manner.”*

Correspondence from the Department of Environment and Climate Change, received late in December 2008, outlined the regulatory framework supporting the new levy. It also added some confusion with respect to the value of the “Waste and Sustainability Improvement Payments” during the first few years:

*“As part of the extension of the levy, the Government has committed to provide councils with funding for local environmental initiatives through Waste and Sustainability Improvement Payments. The amount and arrangements for these payments are set out in the Protection of the Environment Operations (Waste) Regulation 2005. The Government has allocated higher payments in the first 2 years following commencement of the levy to specifically assist councils improve landfill management and waste services. Details regarding these payments are currently being finalised with the Local Government and Shires Association.”*

This advice does not specify a percentage return for the first two years of the levy and clearly identifies that the Regulation will determine returns after that time. The Minister’s letter was very specific in stating that:

*“For the first two years of the program, all revenues collected that are attributable to household waste will be returned for these purposes. Thereafter, this will revert to the 50 per cent rate that applies in the currently regulated areas.”*

The Minister states that, after the first two years, the return will revert to 50%. This is substantially different to the return rate established from the Regulation which reduces from approximately 27.5% in the third year down to approximately 23% in the seventh year.

Unfortunately, there has been no response to the Council from either the Minister or the Local Member about this crucial matter facing the Blue Mountains community.

**Financial implications for the Council and the Community**

Estimates of the potential levy contributions for BMCC have been made and it appears that the first year’s contribution (2009/2010 Budget Year) will be in the order of \$617,000 made up of \$210,000 from the kerbside domestic waste collection program and \$407,000 from waste delivered to the Waste Management Facilities (WMF). Approximately \$35,000 to \$40,000 of the levy attributed to the WMFs relates to waste from households.

Clearly, these additional costs will need to be passed on to the service users either through the Domestic Waste Management Charge or the WMF gate fees.

If the Minister’s advice is correct, \$250,000 (\$210,000 from kerbside and \$40,000 from the WMFs) will be available for return to the Council in the following budget year, subject to the Council meeting the requirements of the EPA’s waste and sustainability improvement guidelines. This represents a 40.5% return of contributions from the initial year, however a simple projection indicates that this return rate will fall to 9.3% from the 2015/2016 contributions.

The Regulation indicates that a total payments pool of \$3,900,000 will be available in 2015/2016. Extrapolation, using similar disposal rates as 2009/2010, indicates that the total levy contribution from BMCC for 2015/2016 will be \$4,319,000 (includes \$1,400,000 from Domestic Waste). The maximum return that the Council could expect from the pool for 2015/2016 would be \$401,700.

The following table summarises the projected impact for the first seven years of the levy (simple projection excluding CPI and assuming no change to current disposal rates):

<b>Financial Year</b>	<b>Total Levy Payable to the State Government</b>	<b>Possible Return to Council (claimed in following year)</b>	<b>% Return to Council</b>	<b>Approximate Impact on Individual Ratepayers for Domestic Waste Services</b>
2009/2010	\$617,000	\$250,000	40.5%	\$10
2010/2011	\$1,234,000	\$500,000	40.5%	\$20
2011/2012	\$1,851,100	\$206,000	11.12%	\$30
2012/2013	\$2,468,000	\$257,500	10.4%	\$40
2013/2014	\$3,085,000	\$309,000	10%	\$50
2014/2015	\$3,702,000	\$360,500	9.74%	\$60
2015/2016	\$4,319,000	\$401,700	9.3%	\$70

The impact on individual ratepayers will also be influenced by the cost of the new levy on any waste taken directly to the WMFs by residents or contractors working for the residents.

There will also be a substantial impact on all business operators in a similar manner to that experienced by the residents, dependent upon the volumes of waste generated by them. Obviously, waste removal contractors and other contractors taking waste to the WMFs will pass on the additional levy costs to their clients.

As detailed in the Mayor’s letter to the Minister for Climate Change and the Environment, the impact of the proposed Regional Waste and Environment Levy will severely limit the Council’s ability to fund further program and infrastructure improvements. This will become more critical as the value of the levy continues to rise, placing more financial stress on waste generators.

The Council has been reviewing all available Alternative Waste Technologies (AWT) with the aim of identifying sustainable options to be fully investigated for possible implementation in the medium term (next 5 to 7 years) to substantially reduce the volume of waste being landfilled. As mentioned above, several other actions are being examined and implemented to improve waste avoidance and diversion.

The Council’s ability to establish cost and resource efficient alternative waste treatment and processing technology will be substantially impaired by the introduction and maintenance of the levy as the additional levy cost will reduce the Council’s ability to increase charges sufficiently to fund the new infrastructure and programs.

**Conclusion**

This report summarises the recent history and perceived impacts of the NSW Government’s recently introduced Regional Waste and Environment Levy.

Both the Council and WSROC have written to the Minister for Climate Change and the Environment, Carmel Tebbutt, indicating objection to the “one size fits all” approach to waste reduction and seeking exclusion from the new regional regulated area (RRA).

The inclusion of BMCC in the new RRA fails to identify the substantial progress made by the Blue Mountains community without access to any levy funds. Additionally, the cost of the levy, particularly in later years, will reduce the Council’s ability to raise additional funds to develop new infrastructure and programs as residents and businesses will be unlikely to be able to absorb any additional costs. This will have the opposite impact to that sought by the Government outlined in their correspondence and legislation.

As no response has been received from the Minister, or the Local Member, it will be recommended that a further letter be sent from the Mayor to the Minister and Local Member seeking a response to the Council’s previous correspondence regarding exclusion from the RRA and also seeking clarification of the conflicting advice from the Minister and the Department of Environment and Climate Change concerning the amount to be returned to councils during the first two years of the Levy.

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