

ORDINARY MEETING 14 DECEMBER 2011	4
--	----------

WASTE REDUCTION AND RECYCLING ACT 2011 - IMPLICATIONS OF THE STATE GOVERNMENT WASTE DISPOSAL LEVY

N. Crumpton: 18/57/1-09: #3409936v2

RECOMMENDATION:

That Council:

- 1. Notes the report on the implications of the State Government waste disposal levy.**
- 2. Notes the anticipated additional financial requirements regarding application of the State Government waste disposal levy which will be presented to Council during budget considerations for 2012/2013.**

INTRODUCTION:

The *Waste Reduction and Recycling Act 2011* (WRR Act 2011) was passed by the Queensland State Parliament in October 2011 and the *Waste Reduction and Recycling Regulation 2011* (WRR Reg 2011) subordinate legislation was passed in November 2011.

Under the legislation a State waste disposal levy (the State waste levy) came into effect on 1 December 2011. Commercial waste which is disposed to landfill now attracts a waste levy of at least \$35 per tonne. Council has the responsibility of collecting the State waste levy and remitting the waste levy liability amount to the State Government.

This report outlines the expected implications of the State waste disposal levy on Council.

BACKGROUND:

1. CONTEXT FOR THE WRR ACT 2011

In December 2010, the Queensland Government released the Queensland Waste Reduction and Recycling Strategy 2010-2020 (the Qld waste strategy) as part of a significant reform package for waste management and resource efficiency.

The Qld waste strategy would be supported and implemented through a variety of mechanisms, including a new legislative framework, the waste levy, and programs funded from the State waste levy.

In December 2010, a consultation draft of the Waste Reduction and Recycling Bill 2010 (WRR Bill 2010) was released for limited consultation with key stakeholders, including councils. A report on the WRR Bill 2010 was submitted to the January 2011 Ordinary Meeting where Council noted and endorsed the submission to the State Government on the draft Waste Reduction and Recycling Bill 2010.

In June 2011, a consultation draft of the Waste Reduction and Recycling Bill 2011 (WRR Bill 2011) was released for targeted consultation with key stakeholders. A report on the WRR Bill 2011 was submitted to the July 2011 Water & Waste Committee Meeting and Council noted and endorsed the submission to the State Government on the draft Waste Reduction and Recycling Bill 2011.

In October 2011 the *Waste Reduction and Recycling Act 2011* (WRR Act 2011) was passed through the Queensland State Parliament and the *Waste Reduction and Recycling Regulation 2011* (WRR Reg 2011) subordinate legislation was passed in November 2011.

2. APPLICATION OF THE STATE WASTE LEVY

Schedule 4, Part 1 of the WRR Reg 2011 shows the waste levy rates as follows:

Type of levyable waste	\$/tonne
acid sulfate soil or contaminated soil	35
commercial and industrial waste	35
construction and demolition waste	35
green waste directly disposed of as landfill or mixed with other types of stockpiled waste	35
green waste to be stockpiled separately from other types of waste	nil
municipal solid waste	nil
regulated waste—high hazard	150
regulated waste—low hazard	50
regulated waste—other	35

The main purpose of the State waste levy is to impose a levy on waste delivered to a levyable waste disposal site (i.e. landfill), and to allow for an exemption from the levy, or a nil levy rate for particular waste types, including municipal solid waste (MSW) and green waste.

The definition of MSW in the WRR Act 2011 is as follows:

municipal solid waste—

1 *Municipal solid waste is waste—*

(a) generated as a result of the ordinary day-to-day use of domestic premises and either—

(i) taken from the premises by or on behalf of the person who generated the waste; or

(ii) collected by or on behalf of a local government as part of a waste collection and disposal system regularly operating in its local government area; or

(b) generated from any of the following activities carried out by or on behalf of a local government—

(i) street sweeping;

(ii) maintenance of parks, gardens or other public spaces;

(iii) servicing of street litter bins;

(iv) occasional bulky items collection from domestic premises.

2 *However, waste is not municipal solid waste—*

(a) if it is taken from domestic premises under a commercial arrangement; or

Example— waste collected in a skip supplied by a commercial operator

(b) if it is generated at domestic premises as a result of a commercial arrangement; or

Example— waste generated by a builder paid to perform renovations

(c) to the extent it is the subject of a commercial activity prescribed under a regulation.

3. MSW COMPONENT OF RESIDUAL WASTE

A number of primary issues that may impact on Council were identified. The principal issue to emerge was the application of the State waste levy on the MSW component of residual waste from resource recovery facilities such as the Materials Recovery Facility (MRF) and SITA Environmental Solutions Advanced Resource Recovery Facility (ARRF).

Levying the MSW residual component from these facilities at \$35 per tonne would equate to an additional cost to Cairns Regional Council of approximately \$1 million per annum and approximately \$110,000 per annum to the Tablelands Regional Council.

Council's interpretation of the WRR Bill 2011 was that the residual waste component of any MSW from the above two facilities which is transported to landfill would be levied at zero (\$0) dollars. However, advice from DERM Officers at the time was that all residual waste from both the MRF and ARRF would attract a levy as the waste is viewed as having gone through a commercial process.

In order to resolve this situation, Council also passed a resolution to seek immediate clarification from the Minister for Environment regarding the application of the waste levy on the MSW residual waste component from the MRF and ARRF.

Since the WRR Bill 2010 submission in January 2010, Council Waste Services Officers have actively sort clarification from DERM and LGAQ particularly regarding the application of the State waste levy on the MSW component of residual waste from such facilities.

Council Waste Services Officers participated in a Queensland Parliamentary enquiry and sustained lobbying and negotiation with the State government. Through this process we managed to secure a provision in the WRR Reg 2011 which recognises the unique position of Cairns Regional Council and provides for an exemption from the State waste levy for the MSW component of any residual waste from the ARRF.

COMMENT:

4. IMPLICATIONS OF THE STATE WASTE LEVY

4.1. Prescribed Exempt Waste Provision

As discussed in section 3 above, the WRR Reg 2011, s11 (b), provides for an exemption from the State waste levy until 30 June 2014. In addition, a last minute concession realised by consolidated lobbying by local government, provides exemption for clean earthen material in the WRR Reg 2011, s11 (a). This has prevented additional costs to Cairns Regional Council of approximately \$100,000 per annum for cover material at Killaloe Landfill.

4.2. Council Residual Waste Charges

Some of Council's waste processed through ARRF is classified as commercial under the legislation. (e.g. waste from Council Depots.) This waste will attract the levy with an estimated increase in cost of approximately \$110,000 per annum.

4.3. Commercial Cleansing Charge

At the Special Budget meeting in June 2011 the Rates & Charges for 2011/2012 were adopted by Council which included a Commercial Cleansing Charge for all commercial properties in the Douglas area.

As the amount of the Commercial Cleansing Charge was complicated by the possible introduction of the State waste levy from 1 December 2011, a differential Commercial Cleansing Charge was set as follows:

- In the event that the State waste levy is introduced, the annual commercial cleansing charge will be \$353.93, levied for the period:
 - 1 July 2011 to 31 December 2011 in the amount of \$160.95 and;
 - 1 January 2012 to 30 June 2012 in the amount of \$192.98.

- In the event that the State waste levy is not introduced, the annual commercial cleansing charge will be \$321.90, levied by two (2) equal instalments.

This represents an increase of \$32.03 per commercial cleansing charge for the period 1 January 2012 to 30 June 2012 which will appear on the 2nd half yearly Rates Notice to be issued early 2012.

The following table shows the breakdown of the State waste levy within the Commercial Cleansing Charge:

Commercial Cleansing Charge before introduction of State Waste Levy	State Waste Levy Component	Overhead for State Waste Levy Component	Total State Waste Levy Component inc Overheads	Cleansing Charge inc. Overheads with State Waste Levy Component
\$321.90	\$27.04	\$4.99	\$32.03	\$353.93

The State waste levy component of \$27.04 is based on a calculation of the average weight of residual waste (not able to be processed at the MRF or ARRF) found in a 240 litre bin. This has been measured at 30kg per waste bin collected weekly and 44kg per recycling bin collected fortnightly.

The potential effect this will have on the Commercial Cleansing Charges for the 2012/2013 financial year is shown in the table below:

	2011/2012 (1 Jan 11 – 30 Jun 12)	2012/2013 Estimate
Number of Commercial properties in the Douglas Area with a cleansing charge	500	500
Number of Commercial Cleansing Charges	1,400	1,400
State Waste Levy Component	\$37,856.00	\$69,888.00
Overhead for State Waste Levy Component	\$6,988.80	\$6,988.80
Total State Waste Levy Component inc Overheads	\$44,844.80	\$76,876.80
Total State Waste Levy Component inc Overheads per Cleansing Charge	\$32.03	\$54.91
Expected minimum increase on Commercial Cleansing Charge	10%	16%

The Commercial Cleansing Charge for the 2012/2013 financial year could be expected to be approximately \$376.81 (not including any index increase) or equivalent to a minimum increase of 16%.

Risks

As the State waste levy component of the Commercial Cleansing charge is based on average weights, all commercial operators will be charged the same State waste levy, regardless of the volume of waste generated. This could be particularly relevant to businesses subject to seasonal variations e.g. tourism (bars, cafes, restaurants, hotels etc).

Commercial operators do not have an opportunity to reduce their State levy liability by generating less waste and more recycling, as the Commercial Cleansing Charge is fixed, regardless of the volume of waste & recycling generated.

The Commercial Cleansing Charge schedule in the Rates & Charges is based on business type. The cleansing charge is applied irrespective of business size, and the volume of waste generated by the business, for example:

- Hotels = 10 commercial cleansing charges
- Take Away Food Outlet = 2 commercial cleansing charges
- Sporting Clubs = 3 commercial cleansing charges

An inequity exists across Cairns Regional Council region, where commercial operators in the Cairns area are not subject to a Commercial Cleansing Charge and are able to source waste & recycling collections as per their needs and on a "user pays" basis.

In general, the application of the "user pays" principle is the most acceptable pricing methodology for commercial services provided by Council. It allows for increases or reductions in waste generation and provides equity benefits where those who do not use a particular service are not required to pay part of the cost of its supply.

4.4. Transfer station & landfill disposal fees

The Fees and Charges schedule for 2011/2012, adopted by Council at the Ordinary meeting in April 2011, included commercial transfer station and landfill disposal fees.

As these disposal fees were complicated by the possible introduction of the State waste levy from 1 December 2011, differential disposal fees were set as follows:

	Unit	(Fee for 1/07/11 - 31/11/11 - No Waste Disposal Levy Applicable)	(Fee for 1/12/11 - 31/06/12 - Waste Disposal Levy Applicable)	State Waste Levy Component
TRANSFER STATION - DISPOSAL FEES				
Commercial & Industrial Waste				
Commercial Mixed Waste (Bedminster & Killaloe Transfer Station)	Tonne	Sita Charge	Sita Charge	\$35.00
Commercial Mixed Waste - Non Weighbridge Sites (Cow Bay & Daintree Transfer Stations)	m3	\$44.00	\$59.00	\$15.00
LANDFILL - DISPOSAL FEES				
Construction & Demolition Waste				
Clean Concrete, bricks, pavers etc (Killaloe Transfer Station)	Tonne	\$56.50	\$56.50	\$0.00
Any other Commercial Construction & Demolition waste (Killaloe Transfer Station)	Tonne	\$56.50	\$91.50	\$35.00
Commercial Construction & Demolition Waste - Non Weighbridge Sites (Newell Beach Transfer Station)	m3	\$44.00	\$89.50	\$45.50

The State waste levy component is calculated based on the following conversion factors for non weighbridge sites:

- Commercial Mixed Waste – 1m³ = 0.6 tonnes
- Commercial Construction & Demolition Waste - 1m³ = 1.3 tonnes

Disposal of clean concrete, bricks, pavers etc at Killaloe Transfer Station does not attract the State waste levy as it is intended this type of material will be stockpiled for a future concrete crushing project.

In addition, Newell Beach Transfer Station will no longer operate as a landfill from 1 December 2011. This is to reduce the number of instances where the transfer station attendant will have to estimate the volume of commercial construction & demolition waste received (as it's a non weighbridge site) and apply the associated State waste levy. This material is still accepted at Killaloe Transfer Station where the exact volume can be determined on the weighbridge.

The effect on each transfer station that accepts commercial waste is as follows:

- **Killaloe Landfill** - Commercial Construction & Demolition Waste will increase from \$56.50 to \$91.50 per tonne.
- **Cow Bay & Daintree Transfer Stations** - Commercial Mixed Waste - Non Weighbridge Sites will increase from \$44.00 to \$59.00 per m³.
- **Newell Beach Transfer Station** – The change from operating as a landfill to a transfer station has meant commercial construction & demolition wastes (C&D) cannot be managed efficiently in a transfer bin system. As Council has been the primary supplier of C&D wastes to Newell landfill this site effectively does not accept commercial waste from 1 December 2011.

Risks

The State waste levy component of the commercial mixed Waste - non weighbridge sites (Cow Bay & Daintree Transfer Stations) is based on average conversion weights for this type of material. All commercial customers will be charged the same State waste levy regardless of the actual volume of waste generated.

It may be perceived that service level have been reduced, by no longer accepting commercial construction & demolition waste at Newell Beach Transfer Station. However, disposal of this material is available at Killaloe Transfer Station which is approximately 15km away or 12 minutes drive.

4.5. C&I movement into MSW waste stream

The exemption of MSW from the levy may create an economic environment which encourages the use of MSW service's to dispose of commercial & industrial waste, in order to avoid the levy.

Domestic kerbside waste & recycling bins may start to be used for business, industrial and construction waste. This movement and subsequent increased MSW volumes could potentially have long term cost impacts on Contract No. 75292 Waste & Recycling Collection and Contract 1396 (Bedminster) Waste Management Contract.

The quantum of this effect is difficult to determine, however, a 10% increase in MSW collected at the kerbside and from transfer stations equates to approximately \$250,000 in additional contract costs through the collection and disposal of an extra 6,500 tonnes per annum.

4.6. Data management software

In order to improve waste data capture and reporting the WRR Act 2011 specifically requires that council sites:

- Report levy and non-levy waste;
- Report leviable quantities of waste; and
- Identify how data capture is improving over time.

Council received \$62,000 of grant funding under the State Government Waste Facility Assistance Program to purchase a dedicated software and hardware solution for the management of weighbridge data at the following Council waste facilities:

- Smithfield Transfer Station (weighbridge)
- Materials Recovery Facility (weighbridge)
- Babinda Transfer Station
- Gordonvale Transfer Station
- Newell Beach Transfer Station
- Cow Bay Transfer Station
- Buy Back Shop

In addition to the minimum State Government requirements for weighbridge data management, particular emphasis was placed on providing a waste management system suitable for the management of key performance indicators and business reporting requirements.

Annual license fees and service pack costs for this data management system is approximately \$25,000 per annum.

4.6. QWOLS (Queensland Waste Online Levy System)

The QWOLS is a web based reporting system for waste disposal site operators and will allow each site operator to report data to meet the new requirements under the WRR Act 2011. The new system will provide a range of functions enabling operators to submit detailed and summary data and determine their levy liability.

The data collection and associated reporting requirements will initially be handled within the current human resource allocation, however, the extent of the work required for collating the data and reporting is currently unknown.

CONSIDERATIONS:

Corporate and Operational Plans:

Community Plan

Strategic Direction No. 7.4 – Natural Environment under 7.4.1 – Protecting our Environment.

Corporate and Operational Plans:

Corporate Key Goal No 1 - Caring for the Environment

Objective 1.3	Provide strong community leadership through the adoption, maintenance and promotion of coordinated environmental frameworks with stakeholders
Objective 1.4	Further improve the treatment, recycling and disposal of household and commercial waste

Statutory:

The following legislation is relevant:

- *Waste Reduction and Recycling Act 2011*
- *Waste Reduction and Recycling Regulation 2011*
- *Local Government Act 2009*

Policy:

The following National, State and Council policies are relevant:

- *National Waste Policy 2009*
- *Queensland's Reduction and Recycling Strategy 2010-2020*
- *Cairns Regional Council Waste Management Strategy 2010-2015*

Financial and Risk:

The financial and risk elements of the report have been embedded into the Comment section above.

The financial implications of the State waste levy is essentially a direct result of levyable waste being disposed off to landfill.

Sustainability:

The Sustainability Assessment tool is not appropriate for this report as no recommendation is being made regarding the application of the State waste levy.

CONSULTATION:

Members of the Waste Services Unit team

OPTIONS:

No options are available.

CONCLUSION:

That Council:

- 1 Note the report on the implications of the State Government waste disposal levy.
2. Note the anticipated additional financial requirements regarding application of the State Government waste disposal levy which will be presented to Council during budget considerations for 2012/2013.

ATTACHMENTS:

nil

Nigel Crumpton
Waste Strategy & Business Coordinator

Debra Mackeen
Manager Waste & Environment

Bruce Gardiner
General Manager Water & Waste