

WASTE LEVY REVIEW 2020 – WRIWA RESPONSE FOR PUBLICATION

Q No.	QUESTION	RESPONSE
Chapter 2 - Objective of the waste levy		
2.1	Are there any beneficial outcomes that can be achieved by a levy beyond those identified in the objectives of Waste Strategy 2030?	Nil Response
Chapter 3 - How the levy can help achieve the objectives of Waste Strategy 2030		
3.1	Are there any other strengths or weaknesses of a waste levy as an instrument for achieving the objectives of Waste Strategy 2030? If you can provide evidence or more detailed information to support your views, this may help make a stronger case for appropriate action.	<p>Yes, there has been a systemic regulatory failure producing unintended consequences. This has seen the growth of a multi-million dollar shadow economy based on exploiting deficiencies in the regulations and providing a large financial incentive for criminal activity.</p> <p>WRIWA has estimated that the loss of revenue for 2018-2019 based on documented instances of levy avoidance was over \$93.35 million, well exceeding the levy revenue collected by the State which was \$83.0 million.</p> <p>Please see detailed response below - Chapter 4, point 1.</p>
Chapter 4 - Rate of the levy		
4.1	How has the waste levy benefitted or affected your waste business or operations	<p>The Waste Levy was established as an economic instrument to reduce waste to landfill by providing a financial incentive that would ameliorate the costs of recycling. Without this economic instrument landfill is the cheapest option and there is no encouragement for recycling.</p> <p>The largest measurable positive effect has been in the Construction and Demolition (C&D) sector and we have seen a multi-million dollar investment in C&D recycling. Our members include the owners and operators of the two largest C&D and Commercial and Industrial C&I landfills and both those facilities now recycle .65% of incoming product. The landfill recycling operations produce sand, soil and engineering aggregates. A second tier of C&D recycling producing crushed recycled concrete (CRC) has also developed. Supported by the Roads to Reuse project, four of our members have now pre-qualified to supply high grade aggregates to Main Roads WA standards. There has been investment for equipment and facilities to produce to that standard.</p> <p>However the Landfill Levy in its current form has had serious negative consequences for the C&D and C&I sector. As the rate of the levy has increased, industry has reported witnessing increased avoidance. Levy avoidance damages the industry, putting honest operators at a significant financial disadvantage.</p> <p>There is a clearly identified need to rectify issues with the current levy which have led to systemic levy avoidance and large scale stockpiling to avoid paying the levy and this has to be stopped. WRIWA has on numerous occasions brought evidence to the Minister for the Environment, the Chairman of the</p>

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		<p>Waste Authority and/or the Director General of DWER that:</p> <p>As the levy rate has risen, the amount of salvage from residential demolition has decreased because of the very large financial incentives to ‘load out’ a house to a facility which is <i>not</i> charging the levy. A typical brick and tile house in the Perth metropolitan area can be loaded out without any attempt at salvage in one working day and would generate 12 to 14 x 20 cubic metre loads of unsorted rubble. Avoiding the levy reduces the demolition cost per house by between (12 x 20 x \$105 =) \$25,200 and (14 x 20 x \$105 =) \$29,400.</p> <p>WRIWA therefore considers that the legislative change will benefit the State by returning considerably more revenue. Primarily the advantage to legitimate commercial operators will be the creation of a level playing field that no longer inadvertently supports levy avoidance.</p> <p>WRIWA has modelled the value of waste levy avoidance in WA. In 2019 in a confidential report to the Director General DWER we identified the three levy avoidance scenarios described above. The total value of which during the 2018 -2019 year was >\$93.35 million. This exceed the total revenue collected by the state in that year which was \$83 million.</p>
4.2	<p>Can you advise of any recycling and waste diversion opportunities that would become viable if the waste levy was increased or applied in a different way? What rate of levy could be required to make these viable?</p>	<p>If the levy rises then investment in recycling will increase, particularly in the C&D and C&I sector. The C&D sector currently concentrates on sand and soil extraction, crushed and screened mixed aggregates, and high quality concrete aggregates that comply with the Main Roads WA specification.</p> <p>C&D recycling would increase if the levy increases. At the moment C&D recyclers have been forced through competition with illegal facilities that do not charge the levy, to artificially lower their gate prices. C&I recycling in WA is minimal at this stage, as the gate prices resulting from competition with levy avoidance are too low to justify the capital investment that would be required to establish a viable C&I recycling industry.</p> <p>There is an active national discussion to ‘harmonise’ landfill levies across the states and territories. While this is of most concern on the eastern seaboard this may potentially have implications for WA if South Australia significantly increases its levy.</p> <p>There is well-accepted evidence that where large levy rate differentials exist between adjoining states, levy avoidance will occur. Notably, until the introduction of the levy in Queensland, it was been estimated that the NSW government was losing up to \$5m per week in levy from material being transported to QLD (source: Mike Ritchie Consulting).</p> <p>If WA levy prices rise in future to meet those charged on the east coast, then industry would need to</p>

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		<p>be confident that systemic avoidance has been rectified. WRIWA considers that the measures proposed in the <i>Closing the Loop</i> consultation, if rigorously adopted, may have the effect of ending most of the systemic avoidance. If DWER also adequately resources compliance activities then there would be a strong argument for progressive increases in the levy to match those on the eastern seaboard.</p>
4.3	<p>Please provide information on potential impacts which may result from increasing the waste levy.</p>	<p>As outlined in (2) above, if industry is given confidence that the new regulations would be applied to create a level playing field, it would invest in both C&D and C&I recycling.</p>
4.4	<p>If you knew when the waste levy was going to be varied, how would it affect your decisions about managing waste or related investments? If you can provide evidence or more detailed information to support your views, this may help make a stronger case for appropriate action</p>	<p>At present the C&D and C&I industries are reluctant to invest in further recycling. However if the concerns raised in 4.2 above are addressed, a progressive rise in the levy, with adequate notice, would allow industry to plan and implement increased capital investment.</p> <p>The C&D recycling sector, which is largely operated by WRIWA members, has seen two separate rounds of investment and consequent improvement in recycling. The first of these was triggered by the rise of the rate of the landfill levy. In the first round, C&D landfills invested in screening, crushing and density separation technology and focussed on recovering sand and soil, while also manufacturing screened sized engineered aggregates. Overall this has been very successful with an average recovery rate of 65%. However this industry has now stalled with little or no investment as the competition from non-levy paying operations has artificially lowered the gate price and removed much of the C&D material to rural landfills (it is estimated that > 1 million tonnes per annum is leaving the metropolitan area).</p> <p>The second round of investment in recycling was triggered by the recent introduction of the Roads to Reuse scheme which provided a standard and market for high quality Crushed Recycled Concrete aggregates. The Roads to Reuse project deserves special commendation as it has both satisfied purchasers' requirements for a consistent quality assured product (in this case Main Roads WA) and provided industry with certainty with committed purchasing targets rising to 40,000 tonnes per annum in year 3.</p>
<p>Chapter 5 - Setting future levy rates</p>		
5.1	<p>If you knew when the waste levy was going to be varied, how would it affect your decisions about managing waste or related investments?</p>	<p>Confidence about future rates, and how the levy is then used to support recycling, is critical to support industry innovation and investment.</p>
<p>Chapter 6 - Geographical area of the levy</p>		

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6.1	Are there opportunities for the recovery of regional waste that would be made more viable by a regional waste levy?	Yes, a regional C&D and C&I levy will see investment in recycling.															
6.2	Where are these opportunities most likely to be viable?	<p>C&D recycling is likely to be the leading opportunity. Screening out sand and soil and the production of engineered mixed aggregates use well established technologies from the allied quarrying industry. Recovery rates of 65% are being achieved at similar plants in the Perth metropolitan region.</p> <p>C&I recycling would be the second candidate but would be more limited requiring proximity to larger conglomerations of commercial activities and offices. FOGO and Kerbside Recycling would also be supported.</p>															
6.3	What rate of waste levy could be required to make them viable?	<p>WRIWA recommends a different levy rate for C&D and C&I than for MSW and Class 3:</p> <table border="1"> <thead> <tr> <th>PRODUCT</th> <th>METROPOLITAN</th> <th>REGIONAL</th> </tr> </thead> <tbody> <tr> <td>Construction & Demolition</td> <td>100% of the top rate</td> <td>100% of the top rate</td> </tr> <tr> <td>Commercial & Industrial</td> <td>100% of the top rate</td> <td>100% of the top rate</td> </tr> <tr> <td>Municipal Solid Waste</td> <td>100% of the top rate</td> <td>60% of the top rate</td> </tr> <tr> <td>Class 3 solid Waste</td> <td>100% of the top rate</td> <td>60% of the top rate</td> </tr> </tbody> </table> <p><i>Top rate:</i> we are assuming that the rate is likely to vary upwards. The higher or ‘top’ rate should apply in the metropolitan area.</p> <p>Different ratios are needed for different products. The incentives to transport C&D and C&I waste to the regions are described in detail throughout this submission. Any margin between a metropolitan rate and a regional rate, as the top rate rises, will only serve to subsidise illegal transport.</p> <p>The lower rate (60% of the top rate) for Municipal and Class 3 is to prevent the reverse, in terms of these waste profiles coming from regions back into the Metro landfills. This is required to ensure the finite lives of the metro landfills are preserved as much as possible, and to ease burden on rate payers through Municipals passing on the costs.</p>	PRODUCT	METROPOLITAN	REGIONAL	Construction & Demolition	100% of the top rate	100% of the top rate	Commercial & Industrial	100% of the top rate	100% of the top rate	Municipal Solid Waste	100% of the top rate	60% of the top rate	Class 3 solid Waste	100% of the top rate	60% of the top rate
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6.4	Under specific circumstances, it is possible that an expanded waste levy area could make evasion less financially attractive. How does the cost of transporting waste over long distances compare with the cost of the levy?	<p>Yes, we need a regional levy for C&D and C&I waste similar to the NSW formula where the regional levy is graduated.</p> <p>Levy avoidance relies on the quantum of saving that can be achieved by illegally transporting waste out of the metropolitan region to transfer stations and then on to rural landfills or directly to rural landfills.</p> <p>The demolition industry uses Superlifts which can carry approximately 20 tonnes; thus the levy</p>															

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		<p>component of one load is \$1,400. The Transfer Station industry uses B-Doubles which carry 55 tonnes, and the levy component of each single load is therefore \$3,850.</p> <p>The cost of transporting from metropolitan demolition sites using Superlifts to Transfer Stations/ Waste Storage Facilities/Waste Recycling Facilities on the borders of the metropolitan region which charge no levy is only a small percentage of the benefit from the avoidance.</p> <p>Similarly, when consolidating loads at the Transfer Stations/ Waste Storage Facilities/Waste Recycling Facilities into B-Doubles (or similar large capacity long haul vehicles) and carting to rural landfills, the cost of transport is only a small percentage of the saving from the levy avoided.</p>
6.5	<p>What other advantages or disadvantages could arise from a regional waste levy? If you can provide evidence or more detailed information to support your views this may help make a stronger case for appropriate action.</p>	<p>WRIWA cannot see any disadvantage.</p>
<p>Chapter 7 - Waste management options to be levied – Energy Recovery and Stockpiling of waste</p>		
7.1	<p>Waste Strategy 2030 proposes that by 2020, only residual waste will be used for energy recovery. How will this requirement affect your waste management operations?</p>	<p>WRIWA supports this proposal and believes the draft definition of residuals being developed by DWER is a well thought out and a necessary adjunct for dealing with this situation.</p> <p>The residuals definition and accompanying regulations will provide certainty to the recycling industry, particularly the Kerbside Material Recovery Facility operators and the FOGO processing industry. Additionally, it will support the development of the C&I processing industry.</p>
7.2	<p>Would a waste levy on energy recovery have a different effect on your operations?</p>	<p>Nil Response</p>
7.3	<p>Are there any other waste management options where applying a levy could help achieve the objective of Waste Strategy 2030? If you can provide evidence or more detailed information to support your views, this may help make a stronger case for appropriate action.</p>	<p>Good regulation must be supported by adequately designed and resourced compliance. WRIWA supports substantial penalties for serial waste levy avoidance offenders including imprisonment. In the 2018- 2019 period the State collected \$83 million in waste levy payments. WRIWA has provided DWER with confidential evidence suggesting that levy avoidance for the same period was > \$93.35 million.</p> <p>The levy avoidance industry is not opportunistic; it is systemic, well-organised and significantly it is extremely profitable for the participants. The incentives for avoidance are high but at present the penalties are low. In the United Kingdom the disparity between the low level of penalties under environmental regulations and the high level of penalties for drug trafficking (for example) have seen the criminal underworld shift into illegal dumping.</p>
<p>Chapter 8 - Other improvements to the waste levy</p>		

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8.1	<p>What other changes to the design or implementation of the waste levy could help make it more effective or efficient in achieving the targets of Waste Strategy 2030?</p> <p>If you can provide evidence or more detailed information to support your views, this may help make a stronger case for appropriate action.</p>	<ol style="list-style-type: none"> 1. Increase to a fairer daily cover % allowance (based on weight not volume) for landfill. 2. Protection against bad debts (levy remitted and not received). 3. Increased use of levy funding to support recycling industry - Hypothecation of the Levy. <ul style="list-style-type: none"> • While this has been deemed out of scope for this consultation it has a strong influence on industry's thinking, investment and confidence. • The <i>Waste Authority Annual Report 2019/20</i> shows that \$20.75 million (approximately 25 per cent of the levy collected) was supplied to the WARR Account. However \$12.99 million (16%) was provided to DWER to provide what are arguable core functions. Effectively only \$7.76 million or 9% of the total levy collected was used to support recycling. • In WRIWA's view this is not an equitable outcome and we would like to see all of the 25% used for programs that support recycling.