

Submission: Waste levy and waste management: proposed approaches for legislative reform

Recent increases in Western Australia's Landfill Levy have driven the growth of fraudulent activity in the disposal of construction and demolition (C&D) waste. At the same time, the Levy has disadvantaged honest players in the industry who comply with the Levy conditions and support the State's recycling objectives.

While its clandestine nature makes the illegal waste disposal industry impossible to quantify, there is good reason to believe that it is both extensive and a significant cause of lost revenue to Government.

The Four Corners episode of 7 August 2017 contained a number of allegations about the illegal transport and dumping of construction and demolition (C&D) waste occurring in NSW and Queensland. The situation in WA is identical, with C&D waste being transported and dumped illegally on a significant scale for the purpose of avoiding the Landfill Levy.

In WA the Landfill Levy applies only to metropolitan landfills, so to avoid the levy, transporters need only transport C&D waste out of the metropolitan area to avoid the Levy. Waste Stream Management (WSM) has estimated that conservatively, this is costing the State government in excess of \$34 million per annum.

Levy avoidance and illegal dumping of C&D waste is widespread and endemic. Until this is brought to a halt, the Government cannot achieve its recycling objectives. (For further details on our concerns and the calculation of losses to Government revenue, please see the enclosed addendum.)

We believe that additional measures are necessary to end large-scale avoidance and create a level playing-field for honest operators. For instance, the following measures are recommended:

- Fundamentally the area in which the Levy is applied has to be extended. Initially it should extend at least to a radius 500 km from the Perth CBD. This would take in the Bunbury area.
- C&D waste transporters should be licensed.
- C&D waste transporters should be required under the regulations to identify at the point of disposal, where the waste has originated. The identity, registration number, licence of the truck and driver should be recorded and the driver should certify the information as true. Breaches should be rigorously prosecuted.
- In addition a GPS tracking system, monitored by DWER, should be put in place.
- Processes for active auditing of data supplied by regional landfills to the DWER This should include aerial volumetric surveys of non-metropolitan landfills.

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Encl

ADDENDUM

1) The Landfill Levy has incentivised illegal dumping of C&D waste outside of the metropolitan area:

The Landfill Levy rate is confined to landfills within the metropolitan area. It rose significantly in January 2015 from the previous \$12 per cubic metre to \$40 per cubic metre, and has incrementally risen since that date.

The purpose of the Levy increase is to:

“... help divert the amount of waste being dumped at tips in the metropolitan area and encourage investment in alternative waste treatment options and other government options to increase recycling” (*Department of Environmental Regulation: Landfill levy rates to rise from January 2015*)

At this date the rate for C&D waste is \$90 per cubic metre or \$60 per tonne.

To understand the impact this has on C&D waste, a typical Superlift truck carries 20 cubic metres, so the Levy component is \$1,800 independent of landfill facility fees.

A typical Perth brick and tile single residential dwelling generates 10 to 15 Superlift loads, generating a Levy of between \$18,000 and \$27,000 per typical residential demolition.

By late 2015 WSM became aware that massive quantities of C&D waste was being transported to regional landfills, particularly in the Bunbury Waroona area. This was for the express purpose of Levy avoidance.

WSM brought this to the attention of the previous minister and met on a number of occasions with both the Minister for the Environment and the Director General of the Department of Environmental Regulation

As a result of our lobbying efforts, and to ensure that landfill operators were compliant in collecting and remitting the Levy to Government, the Waste Avoidance and Resource Recovery Regulations 2008 were amended in 2016 to compel all landfill operators, both metropolitan and regional, to report on the point of origin of loads.

However this, as we pointed out at the time has been insufficient to stop large scale Levy avoidance.

Avoidance is alarmingly simple. Landfill operators outside of the metropolitan zone can either not record incoming loads at all, or falsify the records to show loads as originating from outside of the metropolitan area.

There is no process whereby DER can check the validity or otherwise of data provided.

Our estimate is that 30% to 50% of C&D waste originating from the metropolitan area is being illegally transported to regional landfills to avoid the Levy.

Alternatively, using a more conservative approach, if the amount of illegal diversion equalled the gap between the DER target and actual figures for 2014-15, this would be 18% (60% vs 42%). This would mean a loss of revenue to Government of \$34.15 million.

This is calculated as follows:

2014-2015 DER Data

Total Waste 6.2 million tonnes

C&D Waste 51% = 3,162,000 tonnes

Targetted diversion - 60%; Achieved - 42%

Differential 18% or 569.160 tonnes X \$60 = \$34.15 million

(Note figures Pages 7, 16 & 17 Auditor General's report)

We consider this to be a very conservative figure; our own experience is that 70% to 80% recycling is technically readily achievable and our company has already exceeded the 70% target.

The Auditor General's report goes on to clarify what we believe is the cause of this failure. Under the sub heading: *DER is unable to ensure that all waste operators manage waste appropriately* the report goes on to say that "DER is reliant on operators self-reporting" and that "only 47% of (high risk) sites were inspected annually".

2) Avoidance of the Landfill Levy in other jurisdictions.

As detailed in the ABC Four Corners episode of 7 August 2017, Levy avoidance has occurred in other jurisdictions in Australia where Levy rates have risen significantly. Avoidance occurs where there are high Landfill Levies in one jurisdiction and low or no Levy rates in an adjoining jurisdiction.

The clearest documented case is New South Wales, which has the highest waste levy rates in Australia (\$133 per tonne) it is estimated that 300,000 tonnes per week of waste is being shipped to Queensland avoiding \$4 million per week of levy. (Haywood, M *The great landfill levy – a missed opportunity?* (Insidewaste, April 2016 pp 22-23.).

More recent data from Queensland shows a 40% increase in 'interstate waste', 353,000 tonnes in 2014-2015 rising to 494,000 tonnes in 2015-2016. Again it is estimated that most of this is being transported from NSW, the price differential being approximately \$290 per tonne. (Ritchie. M *Interstate waste to Queensland up 40% in one year.* InsideWaste May 2017)

3) Estimates of C&D Recycling

The recent report: *Recycling Activity in Western Australia 2015-2016 prepared by ASK Waste Management Consultancy Services for the Waste Authority* has made a number of assumptions which may have led to an overestimate of the quantity of C&D waste being recycled.

The report asserts that C&D recycling is now on target and has reached 60%. However the report did not attempt to quantify any waste avoidance or Levy avoidance and relied on data that was obtained from voluntary surveys and, by their own admission, was incomplete:

The report also relied on a methodology that did not ascertain quantities for non-metropolitan landfills but instead:

“estimated by extrapolating from data collected through a voluntary survey of large landfills with weighbridges outside the Perth metropolitan region.” (p. 5)

The report’s conclusion (ie. that C&D waste recycling has reached 60%) is achieved by noting that the amount of C&D sent to metropolitan landfills has significantly reduced. However, the report provides no firm measure of C&D waste generated in the metropolitan area and sent to non metropolitan landfills. This must inevitably distort the figures to show a larger percentage of metropolitan C&D waste being recycled.

“In addition, the voluntary nature of the survey resulted in some reprocessors choosing not to return the survey questionnaire. To minimise the impact of this, ASK sought to at least gather total tonnes of material processed from larger companies that did not complete the survey so that the impact on total tonnes recycled would be minimised. Considering these issues, it is likely that there is an underestimation of actual recycling quantities and therefore, the total waste generated for 2015-16. The survey does not capture waste minimisation or re-use of materials by organisations, only the quantities of materials recycled or recovered.

“In this report, waste generation is equal to the sum of resource recovery (recycling and energy recovery) and disposal to landfill. All other waste endpoints (including stockpiling of unprocessed waste and waste reuse) are outside the scope of this report and are excluded from estimates of recycling, waste disposal to landfill and waste generation.

“Landfill for the Perth metropolitan region during 2015-16 was estimated using data provided by the Department of Environment Regulation (DER) and was based on aggregated waste levy data.

“Landfill activity outside the Perth metropolitan region during 2015-16 was estimated by extrapolating from data collected through a voluntary survey of large landfills with weighbridges outside the Perth metropolitan region.” (page 5)

4) Impacts of the Levy

A report was prepared in February 2017 by Murdoch University for the Master Builders Association of WA and The Waste Authority of WA titled “Gap Analysis and Best Practice solutions to drive C&D waste reduction and recycling in Western Australia”

The report has not been released to the public but some of the contents have been quoted in the press (John Flint: “What a Load of Rubbish” *Sunday Times* 3 September 2017).

The report questions the assertion that the Landfill Levy is operating effectively and points out the ease and likelihood of avoiding the Levy:

“...evidence indicates there are many operators who operate without the requisite licence and DWER has insufficient resources to discover these...

“With no requirement to track or source waste movements currently, illegal dumping and Levy avoidance is more likely and with little risk to the perpetrators... NSW is in the process of implementing GPS tracking systems for all vehicles that transport waste...

“This will likely become a factor in the deterrence of these illegal activities...WA is comparatively behind in its legislation and waste tracking ability...

“The requirement of licensing of waste transporters and receipts for the disposal of waste would enable DWER to better fulfill its role as regulator.”