

RESOURCE RECOVERY REBATE SCHEME
FINAL REPORT
WASTE MANAGEMENT BOARD – JUNE 2005

1. Introduction

The Resource Recovery Rebate Scheme (RRRS) replaced the Municipal Recycling Services Scheme (MRSS) and came into effect on 1 January 2001. The RRRS was initiated to increase local government participation in resource recovery.

The Waste Management and Recycling Fund (WMRF) is the sole source of funding for the RRRS. The WMRF is resourced through funds raised by a levy on waste disposed to landfill within the Perth metropolitan area. Funds held in the WMRF may be applied by the Minister for the Environment to fund programs relating to the management, reduction, reuse, recycling, monitoring or measurement of waste and on the costs of administering the WMRF. At present the RRRS receives approximately half the landfill levy revenue.

2. WMRF (and RRRS) Review

The Waste Management Board (the Board) has been undertaking an extensive review of the RRRS since 2002, as part of the statutory review of the Waste Management and Recycling Fund. The WMRF review process began with two separate consultancy reviews: a review of the grants program and a review of the RRRS and the landfill levy. The RRRS and landfill levy review commenced during 2002 and was reported to the Board in February 2003.

These two reviews were combined to prepare *Western Australia's Waste Management and Recycling Fund – Recommendations for the Statutory Review of the Fund* (WMRF Review). The Minister then released this document in September 2003 in parallel with the *Strategic Direction for Waste Management in Western Australia (2003)* for public comment and extensive community consultation.

A combined total of approximately 250 people attended workshop sessions including delegates from local government, state government, industry, not-for-profit organisations and general community. Additionally, 39 written submissions relating to the WMRF review were received during the consultation process.

The Board utilised the consultation outcomes report to review the initial recommendations presented in the WMRF Review and subsequently prepared a report entitled *Western Australia's Waste Management and Recycling Fund – Final Recommendations for the Statutory Review of the Fund*, which was released in September 2004.

3. Outcomes of the WMRF review process

The WMRF review process highlighted a number of issues directly related to the RRRS. The review process found that the current scheme does not reward waste prevention activities and there is no evidence to suggest that the provision of the RRRS encourages more recycling. There is also no requirement for funds allocated through the RRRS to be spent in specific areas nor is there any assessment of the success of the rebates provided. Furthermore, the current allocation of RRRS funds is not consistent with the *Statement of Strategic Direction for Waste Management in Western Australia: Vision and Priorities* (the Strategic Direction 2004), released in September 2004.

The response from the community consultation process, including both written submissions and workshop outcomes, supported undertaking a review of the RRRS. However, it was suggested that any new scheme would need to address the following issues:

- Any amended scheme should provide incentives for improved performance in waste management services including recycling and provide assistance for research and development.
- Resources allocated to participating local governments should be on the basis of the proportion of materials they divert from landfill, the type of materials diverted and where they are located relative to markets.
- Any scheme should be for 'new' resource recovery projects, allowing both resource recovery and secondary resource recovery projects.
- Any new scheme should be open to both local government and industry.
- Reducing the level of the rebate back towards 25% of the total Levy collected per annum.

These outcomes prompted an additional workshop, held in October 2004, to address the future of the RRRS. All those who submitted responses to the WMRF Review were invited to the workshop and, of those, 52 responded to the request and 40 attended the actual workshop. The workshop resulted in two primary opinions:

- that the RRRS should be abolished; and
- that the scheme should be open to both Local Government and industry and be subject to benchmarks and performance measures.

4. Draft RRRS Position

In April 2005 the Waste Management Board released a paper to summarise the review and community consultation related to the RRRS. The RRRS paper requested feedback from local government and industry. In total 204 discussion papers were sent out, of which 152 went to Local Government Authorities and 52 to industry representatives. The paper and all relevant background information were available on the Waste Management Board website (www.wastewa.com) or upon request from the Department of Environment.

In the paper the Board presented two positions on the RRRS for comment:

- that the RRRS should be phased out by 30 June 2006 as it is the Board's intention to replace the RRRS with an alternative scheme that is performance based and open to both Local Government and industry; and
- as an interim step towards the conclusion of the RRRS, the funds allocated to the RRRS, from the WMRF, would be halved from approximately \$2.4 million (50% of the income from the levy) to \$1.2 million (25% of the income to the levy) as of 1 July 2005.

The Board noted in the RRRS paper that the proposed 50% reduction is equivalent to the percentage of allocated funds to the original MRSS and is a quarter of the total resources available in the WMRF. The paper also noted that the reduction would enable the Board to reallocate resources to fund projects across the Program areas included in the *Strategic Direction 2004*.

The RRRS paper suggested that phasing out the RRRS would allow the Board to conduct further consultation to develop a new model for a scheme to allocate funds to local government and industry that adopt approaches to recovering or minimising waste in line with the *Strategic Direction 2004*. It was also suggested that the phasing out period would provide time for Local Government to adapt to the changed funding environment.

5. Impact on the Waste Management and Recycling Fund

Since the commencement of the WMRF and Levy in 1998, \$32.0 million has been gathered in levies (all figures to December 31, 2004) of which local government has contributed 47%. Of this, \$12.8 million has been returned in rebates to local councils (through the RRRS), not including the further \$1.2 million currently accrued relating to period 14.

Funding provided to local government through the old WMRF grants and the new Strategic Waste Initiatives Scheme and Community Grant Scheme have so far totalled \$4.3 million. In total, \$17.0 million or 53% of levies received have been returned to local government.

This is regarded by the Board as a disproportionately high percentage of the WMRF going to Local Government. While the original motives for supporting a significant proportion of the WMRF being made available to Local Government may well have been valid, a change is needed with respect to the WMRF allocation, to ensure there are sufficient funds to fund projects across the Program areas included in the *Strategic Direction 2004* and, more specifically, those in the Board's proposed *2005-2008 Initiatives* (Business Plan). Therefore, either:

- WMRF revenue needs to grow substantially to retain a reasonable funding incentive (under a new scheme, as referred to above) to encourage both Local Government (and industry) to continue to improve recyclables recovery performance; or
- with no increase in WMRF or alternative revenue, the funds provided as an incentive for resource recovery performance improvements in Local Government (and industry) would need to be reduced significantly, to permit other strategic initiatives, such as extended producer responsibility and consumption behaviour, to be progressed.

6. Analysis of Submissions

The majority of submissions responded to:

- the phased reduction and subsequent cessation of the RRRS; and
- the proposed timing of those events.

Many respondents expressed disappointment in the limited time to prepare submissions and subsequently their responses had not been reviewed at the elected member level of local government and only reflected the opinions of officers.

Of the 38 submissions received:

- 3 respondents were in complete support of the suggested revisions (both non-local government);
- 13 were completely opposed to the proposition (all local government);
- 19 did not express their complete opposition to the entire proposal however were unhappy with aspects of what was proposed (all local government); and
- the remaining 3 were not in complete support – however made suggestions for aspects of any new replacement scheme or requested being involved in its development.

Local government's opinions were divided on whether the RRRS required reviewing. Only three respondents (SMRC, Town of Cottesloe and WALGA-MWAC) agreed that the RRRS required reviewing, six suggested opinions on the development of a replacement scheme and 13 were completely opposed to any changes and generally suggested the review that had already been conducted be reviewed to improve the depth of analysis and rigour in the discussion.

More than half of respondents from local government believed the proposed reduction to the funds available for the RRRS as of 1 July 2005 was unacceptable due to their 2005/2006 budgets having already been finalised. In general, they requested that if any changes were to be made that they receive advice no later than March if it is to be implemented at the beginning of the next financial year.

A common theme through the submissions was the request for a fully costed business plan from the Waste Management Board which detailed how it intended to distribute the resources within the Waste Management and Recycling Fund, including any additional money received from reducing the resources allocated to the RRRS. Many believed that agreeing to a reduction and subsequent phase-out of the RRRS without knowing what was to replace it and not knowing where the money would be spent instead would be a "leap of faith" they were not comfortable making. Furthermore, it was requested that if any changes were to be made that they be actively involved in development and that it be agreed to before any changes were made.

Many councils expressed the view that any reduction in the RRRS would cause a reduction to recycling and resource recovery services provided by the council, and so would result in increased waste to landfill. One outer metropolitan council even suggested it may have to burn waste rather than recycle it due to the lack of resources made available through the rebate. Other councils suggested that a decrease in the rebate would require them to increase council rates.

There was a definite distinction between the responses from metropolitan and rural, remote and regional local government respondents. Most significant was the request from rural, remote and regional councils that any new scheme should include additional rebates to non-metropolitan councils. Many councils suggested that a set rebate/tonne of recyclables transported to markets should be paid to offset the transport costs they are subjected to due to their distance from markets. Other non-metropolitan councils asked for more funding support for infrastructure; development of policy and programs; and assistance with problematic wastes.

Issues relating to the landfill levy were also of mixed response. Some local government respondents suggested an increase in the landfill levy as opposed to a decrease in the funds available in the RRRS. Others requested the total abolishment of the landfill levy or a landfill levy to be imposed only on industry. One council suggested that all funds collected from the landfill levy should be used to subsidise recycling of organic waste. However, it also requested that the landfill levy be abolished.

Further on the landfill levy theme, an opinion that was presented by both industry (Smorgon Steel) and local government (City of Joondalup and City of Wanneroo) was for any new scheme to include an exemption from the landfill levy for residuals from resource recovery.

A small number of submissions addressed what stakeholders wanted in a new scheme. These suggestions will be presented for discussion in development of a scheme to replace the RRRS.

One submission expressed concern about the inference on the word 'new' in the sentence "*Any scheme should be for 'new' resource recovery projects, allowing both resource recovery and secondary resource recovery projects*" as included in *Western Australia's Waste Management and Recycling Fund – Final Recommendations for the Statutory Review of the Fund* and in the RRRS paper that is the subject of submissions. However what is implied by 'new' has not been defined.

After revisiting the original consultation submissions and workshop responses, and reviewing the submissions in this latest phase of consultation, it is considered appropriate to define 'new' as generally implying improvement and advancement, rather than brand new projects. However, final clarification of the term "new resource recovery projects" will be determined during the process of developing the replacement scheme for the RRRS.

7. DISCUSSION AND RECOMMENDATIONS

The Board has considered the submissions made and noted the strong opposition by local government both to any reduction in the extent of funding and also the limited time for implementing the proposed changes.

Whilst acknowledging that the proposal to reduce and then eliminate the current scheme will impact on local government budgets, the Board remains of the view that the current scheme is flawed and ineffective in driving the change that will be required in the waste management industry if we as a State are serious about approaching or reaching our target of zero waste to landfill by 2020.

Another major concern for the Board is that the level of payments made per tonne under the RRRS will rapidly reduce as new resource recovery projects come on line and soak up the majority of the Rebate at the same time as reducing the overall amount of levy funding available. This will further decrease the effectiveness of the scheme in driving change

The Board acknowledges the concerns raised regarding limited time available for implementing the 50\$ reduction in funding for the Scheme and as a result has recommended that this change is deferred for 6 months. This deferral will have the following effects:

- On an accrual basis, the reduction in funding for any individual local government will not exceed 25% of the allocation that they would have received under the existing arrangements.
- On a cash basis there will be no impact as there is delay of 6-8 months between the conclusion of RRRS recording period and the payment of any funds.
- The change will provide a period of 6 months during which the terms of a replacement scheme can be developed so that local government and industry will have certainty about the funding that will be available from 1 July 2006
- The delay will reduce the amount of funds available to the Board for implementing its strategic programs but still provide around \$600,000 in calendar 2005/6 which will be directed towards programs that benefit the waste industry as a whole.

The Board, however, remains of the view that the scheme should be replaced with a more effective and targeted scheme by 1 July 2006 so that the new Scheme be effective in encouraging improvements in resource recovery.

The Board's final recommendations are as follows.

Recommendation 1

Funding allocated to the Resource Recovery Rebate Scheme is reduced from \$2.4 million to \$1.2 million for six months as of 1 January 2006.

Recommendation 2

The Resource Recovery Rebate Scheme should cease as of 1 July 2006.

Recommendation 3

The Resource Recovery Rebate Scheme should be replaced with a performance-based resource recovery incentive scheme that is open to both local government and industry as of 1 July 2006.

The level of funding for any replacement scheme should be determined by the Minister for the Environment on the advice of the Board following consultation with stakeholders and consideration of revenue derived from the Landfill Levy and the extent of funding required for other Board programs.

Recommendation 4

The Waste Management Board should, following consultation, and by no later than 1 January 2006, announce:

- **the details of the replacement scheme; and**
- **details of the programs to be funded by the Board in the period 2005-2008.**

REFERENCES

Western Australia's Waste Management and Recycling Fund – Recommendations for the Statutory Review of the Fund (2003)

Report on the Outcomes of the Public Consultation: Western Australia's Waste Management and Recycling Fund – Recommendations for the Statutory Review of the Fund (2004)

Western Australia's Waste Management and Recycling Fund – Final Recommendations for the Statutory Review of the Fund (2004)

Resource Recovery Rebate Scheme: Consultation Workshop – Outcomes Report (2004)

Strategic Direction for Waste Management in Western Australia (2003)

Strategic Direction for Waste Management in Western Australia: Report on the Outcomes of the Public Consultation (2004).

Statement of Strategic Direction for Waste Management in Western Australia: Vision and Priorities (2004).

				General Opinions																
Sector	Assigned Number	Company	Name	Support	Opposed	Increase Levy rather than decrease RRRS	05/06 budgets already set	Don't reduce until 01/01/06	Don't reduce/replace/phase-out until 01/07/06	Don't change until they have agreed upon what to replace it	Fully costed WMB Business plans to be provided detailing projects and programs	More support for regional, remote and rural recyclers	Support for transport for regional, remote and rural recyclers	Allow industry access	Reduced RRRS would lead to reduced recycling and/or increased waste to landfill	Reduction may cause a reduced level of services and/or increase rates	Improvement of reasons, more depth in analysis of consultation	Not enough time given to respond	News scheme should be performance based with set targets	Other comments
	9	Shire of Wyndam West Kimberley	Steven Chadwick																	Were not aware of the RRRS or that they could apply. Any future schemes should be open to all LGs in WA, account for economic constraints of 3R, provide 3R with advertising and education package, provide assistance to train indigenous communities
	10	Town of Vincent	John Giorgi				X	X										X		Consultation process lacks rigidity, investigation and uniformity.
	11	Town of Claremont	Arthur Kyron		X	X	X		X	X								X		News scheme needs greater incentives for recycling and resource recovery
	12	City of Wanneroo	Dennis Blair				X		X											LG should be exempt from paying Landfill levy on recycling and resource recovery residue
	13	Shire of Donnybrook/Balingup	Fiona Cooper										X		X	X				Reducing RRRS will reduce the life of their landfill. Possibly a standard rebate to 3R per tonne of recyclables for however if collecting and transporting it.
	14	City of Belmont	Ric Lutey		X		X		X		X								X	Not enough detail to determine what the money would go to instead.
	15	City of Stirling	Viet Nysen		X	X	X			X	X						X	X		The decision disregards LG long term planning.
	16	Shire of Kalamunda	Andrew Melville																	Requests that they are consulted on and involved in the development of the news scheme.
	17	City of Mandurah	Mark Newman		X	X	X		X	X	X				X	X	X		X	October workshop appears to have been ad hoc. Requests that we revisit MWAC's 2003 submission to the original round of consultation
	18	WMRC	Martyn Glover							X	X								X	More reduction in funding until a tangible waste reduction program which is based on recognised and proven research is developed.

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	19	City of Gosnells	Dave Harris				X												X		Stakeholders have not been involved in the analysis of previous consultation views. Need to be good reliable data. Need those involved in management of waste to develop and future policy directions. State governments should take initiative but not set policy for waste management in WA. WA government should be researching and implementing alternative waste treatments. State Gov should match all money to waste initiatives derived from the landfill levy. RRRS help to compensate the money it cost to recycle as opposed to landfilling the same waste.
	20	Shire of Murray	Ian Daniels												X	X	X				Keep RRRS funding at same level and use remaining money to fund Strategic direction instead. If not enough money available introduce a state-wide industry based levy. Any scheme that was aimed at both LG and industry would be disastrous.
	21	City of Cockburn	BK Greay															Thought			That \$2.4 million went to the administration of the fund and the remaining \$2.4 million was returned to LG via the RRRS and grants (this is no the case). This should be the objective of the fund. They state that the recycling of dry recyclables is supporting and should not be subsidised from the levy. Only waste that will cause harm are important to prevent from landfill - most specifically putrescible and material contaminated with petroleum. Funds collected from the landfill levy should be used to subsidise recycling of organic waste. The landfill levy should be abolished. Want to know if the GST paid on waste gets allocated to Waste Management.
	22	WALGA-MWAC	Bernard Ryan		X	X	X		X	X	X								X	X	No options outside of those developed at the October 2004 workshop have been presented or considered by the Board. Minister assured LG that any changes would be given enough time to be included in budgets. Agree the RRRS needs revision

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	23	SMRC	Stuart McAll		X	X			X				X	X			X	RRRS is seen not as a subsidy, rather as an incentive - removing it is seen as a disincentive to reduce waste to landfill. Reference to "new resource recovery project" causes concern and needs clarifying. Believes reducing the RRRS is a sign that the State Government is abandoning those who have committed to reducing waste to landfill. Requests a detailed expenditure report listing where all the Landfill levy money has been spent. Agree that the RRRS requires review.
	24	City of Joondalup	David Djulbic		X	X		X	X				X	X	X			Exemption from the landfill levy for resource recovery residuals
	25	Shire of Manjimup	K Mueller							X	X	X	X	X				Volumes of packaging waste are increasing and there is no assist to help LG recycle it. News scheme to include a standard rebate per tonne for R3 transport cost.
	26	Town of Victoria Park	Alex Sheridan		X	X		X							X	X		No increase to the landfill levy however funds used for well developed programs and projects.
	27	City of Armadale	Bob Sutton						X				X					Need to review where rebate funds have been spent.
	28	Shire of Bruce Rock	John Mitchell		X	X	X		X	X					X		X	
	29	Geraldton Greenough RC	John Sewell			X								X				Concern over proposed industry access to new scheme. Ask the proposition to be reconsidered.
	30	Town of Mosman Park	TJ Harken		X	X			X	X								Believe that this is the creation of a financial windfall without bona fide projects in mind. Reducing funds allocated to local government jeopardises recycling initiatives in WA.
	31	City of Swan	Eric Lumsden			X		X	X									The Council noted that there is no proof that changes to the RRRS will be any more effective than the current scheme
	32	Town of Cottesloe	Stephan Tindale						X	X					X	X		Landfill Levy was only agreed to by the Council due to being compensated by the RRRS. Agree that the RRRS review is necessary

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	33	Town of Cambridge	Richard Watson		X					X					X					The council strongly supports the Extended Producer Responsibility Program
Government Agencies	34	Water Corporation	David Luketina	X																
	35	South West Development Commission	Don Punch	X							X	X								Have requested that the Board consider a rebate for costs faced by non-metropolitan councils transporting recyclables to Perth markets.
Industry	36	Molton InfraTech	Ertan Barkman	X								X								Would like to be supported via grants for land rehabilitation and resource recovery or being exempt from the landfill levy.
	37	Smorgen Steel Recycling	Vince Chaplin									X								Request that they either be a full exemption from the landfill levy or the full cost of landfill levy to be rebated on all their residual waste. Support from a higher levy is their residual were exempt. If they are not exempt then the levy should be reduced.
	38	Mandurah Mini & Maxi Bins	Murray Stewart																Does not believe LG are effective recyclers. They believe they would do a more effective job if given an opportunity.	
			Totals	3	13	5	18	1	11	17	10	3	5	4	8	10	11	6	4	

