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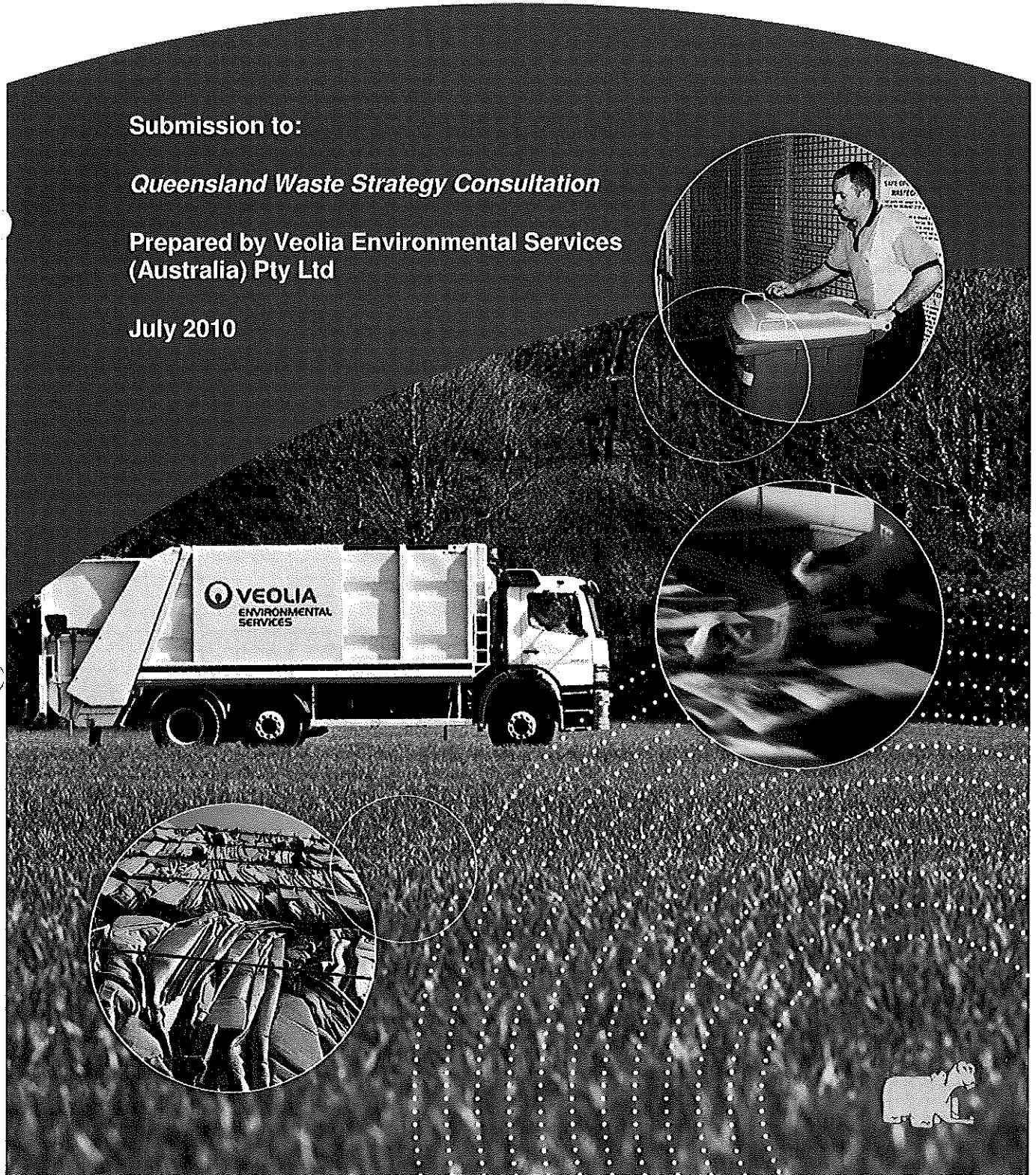
30 JUL 2010

Submission to:

Queensland Waste Strategy Consultation

Prepared by Veolia Environmental Services
(Australia) Pty Ltd

July 2010



NATIONAL OFFICE

30th July 2010

Project Manager
Queensland Waste Strategy Consultation
Department of Environmental and Resource Management
GPO Box 2454
Brisbane QLD 4001

Dear Project Manager,

Veolia Environmental Services Submission to Queensland Waste Strategy Consultation

Veolia Environmental Services (VES) makes the following submission to the Queensland Waste Strategy consultation process. VES is appreciative of the opportunity to contribute to the process.

VES supports the development of a waste strategy for Queensland. VES supports the draft strategy's overall objectives. However, VES believes that the draft policy's intent is not adequately supported by its content.

VES has particular concerns about:

- The scope of the proposed waste levy, especially the arbitrary exclusion of the fastest-growing part of Queensland's waste stream - municipal solid waste (MSW) – which is contrary to the practice of the ACT, NSW, SA, Victoria and WA;
- The intended distribution of funds raised from the proposed waste levy;
- The administration of the proposed waste levy, and;
- Omission of land-use planning aspects.

These and other matters are discussed below as "Issues".





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The waste strategy is a historic opportunity for Queensland to align with or exceed other States in terms of waste management and resource recovery outcomes and the economic, social and environmental benefits that flow from them. Therefore, VES believes it is important for the Queensland Government to get the policy settings right for the long term rather than risk unintended negative consequences. It strongly suggests broader consideration of alternative models for achieving strategic objectives. These are put forward as "Recommendations".

Additionally, strong input from the private sector is essential in both improving the policy settings and driving policy implementation.

In addition to its own submission, VES has contributed to and supports the submission of the Waste Contractors and Recyclers Association of Queensland (WCRAQ) and the Australian Landfill Owners Association (ALOA).

Please feel free to contact myself or Peter Shmigel, General Manager Sustainability & Strategy, to discuss any aspect of our submission.

Kind regards,



GRANT STOCKWELL

General Manager Queensland



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1 Issue: Scope of Waste Levy



1.1 VES' experience is that the application of appropriate market instruments on waste materials – within an overall waste minimisation strategy and on a longer-term and transparent basis - supports improved resource recovery.

1.2 To that end, VES believes that the proposed introduction of a waste levy for commercial and industrial (C&I) waste and commercial and demolition (C&D) waste in Queensland may stimulate some greater recovery, segregation and recycling of C&I and C&D materials.

1.3 However, the reality of the current situation is that sites / industries with heavy, bulky waste streams such as major construction sites are already actively recycling – without a levy mechanism in place. The greater challenge is at smaller sites and businesses – where the majority of currently non-recycled material remains. Inter-State experience where levies already apply shows that many of these types of sites and businesses remain resistant to resource recovery. In many cases, operators believe that the additional time and workplace commitments of resource recovery, such as source segregation, are greater than the avoidable costs. Therefore, progress in the C&I / C&D space will be reliant not only on a levy, but active use of levy funds to change behaviours and practices in the business community.



1.4 If some progress toward the draft objectives of the draft strategy can be anticipated in the C&I space – with appropriate targeting of funds to change programs – VES believes it is likely to be negated by lack of application of a market instrument to municipal solid waste (MSW) and therefore continued growth in MSW waste generation. VES is strongly concerned that the draft strategy applies the proposed waste levy only to C&I materials and not to the nearly 2 million tonnes of MSW – some 50% more than some five years ago.

1.5 VES notes that the omission of MSW is despite the Queensland Government acknowledging in the 2007 "Let's Not Waste Our Future" consultation paper that *"individuals have as much responsibility for avoiding, reducing and recycling their materials and properly managing any remaining waste, as business and industry do."* Inasmuch, this omission runs contrary to the Government's own environmental policy approach of "polluter / user pays".



1.6 VES notes that Queensland will be the only Australian State / Territory where waste levies apply that will exclude MSW (as illustrated below).

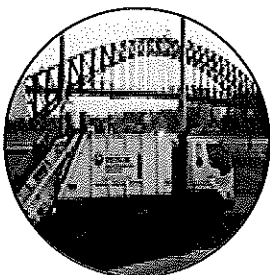
Table 1: Levy coverage by jurisdiction & waste sector

State/Territory	Construction and demolition waste	Commercial and industrial waste	Municipal solid waste
ACT	✓	✓	✓
NSW	✓	✓	✓
QLD	✓	✓	X
SA	✓	✓	✓
Vic	✓	✓	✓
WA	✓	✓	✓



1.7 VES is further concerned that the waste levy is only to apply in specific geographic regions of Queensland. Indeed, gains made in the C&I sector may be negated by lack of progress in MSW, leading to no significant net improvement.

1.8 VES is further concerned that the waste levy is not to apply to self-haul waste. Effectively, this means that a household will not be subject to the levy if it self-hauls waste to a disposal facility, but that the same household will be subject to the levy if it chooses to hire a skip from a commercial operator. It is incongruent for the same material to be subject to two separate regimes. This incongruence is likely to lead to the demise of skip-bin operators in Queensland – whose price will necessarily be \$35 per tonne higher than self-haul of the same material. The organizations most likely to be effected are family-owned and operated SMEs who have less capacity to absorb the changes within their overall operations.



1.9 As noted by independent consultancy Hyder Consulting: "Levy application consistency across geographic regions and for the waste





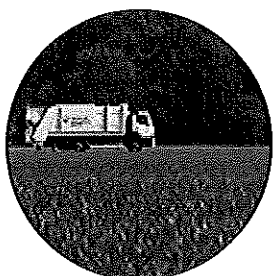
streams of MSW, C&I and C&D is likely to be the most effective application of the levy model.”¹

1.10 VES believes that the inconsistent and illogical approach to the waste levy that is currently proposed will preclude the achievement of the draft strategy’s resource recovery objectives. This is for several reasons:

- Leakage of waste materials from one eligible category (C&I) to another excluded category (MSW);
- Leakage of waste materials from eligible regions to exempt regions through unscrupulous and unlicensed operators, and;

Lack of incentives for further improvement of MSW management, including failure to stimulate organics recycling by households (with Hyder estimating “that MSW diversion is unlikely to increase unless disposal prices increase by around \$20 per tonne”²), and failure to drive downsizing of household bins.

1.11 The fundamental design principle of any market instrument is that it needs to be consistent and comprehensive. Through arbitrary exclusions – by waste stream type and geographical region – the proposed Queensland approach creates perverse environmental and business outcomes.



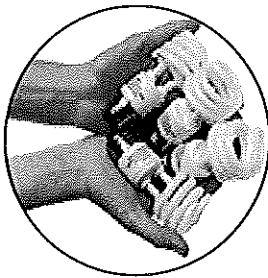
1.12 Indeed, any variations from the general design principle should only be carefully selected to support “beyond business as usual” scenarios and optimized environmental outcomes. For examples, rebates or exemptions could be introduced to enshrine or drive innovations and improvements such as pre-treatment / sorting at disposal facilities, renewable energy production, or recycled content product (RCP) manufacturing.

¹ Hyder Consulting for WCRAQ, “Waste, Recycling, and Resource Recovery: Jurisdictional Review of Waste Pricing Policies and Application”, July 2010.

² Ibid.



2 Issue: Distribution of Funding



2.1 VES' experience is that the effectiveness of market instruments is determined by their scope/application, but also by their distribution. For example, the relative improvements made in resource recovery in Victoria – where funds have long been allocated to infrastructure support via consultation with independent experts - compared to those of NSW – where funding has generally not been available for infrastructure support – is noted.

2.2 As observed by independent consultancy Hyder Consulting, constituencies with higher levels of resource recovery have the following characteristics in their levy schemas:

- *"Long-term application of 'user pays' price signals based on hypothecated levies;*
- *Waste avoidance above resource recovery;*
- *Hypothecated levies where funds are directly diverted back into a range of waste minimization programs that are not solely focused on resource recovery programs and infrastructure, but also into behaviour change programs;*
- *Policy development and implementation that seeks to engage all stakeholders including waste generators, the waste collection sector, and recycling and waste processing industries.¹⁸*



2.3 To that end, VES believes that the draft strategy's proposed funding distribution method is flawed and unlikely to achieve significant waste minimization improvements or strategy targets. This is the case in the following regards:

2.3.1 It appears that levy-derived funding – from C&I waste - will predominantly flow to local government initiatives even though the C&I waste stream is more than double MSW. This is inherently illogical.

2.3.2 A significant proportion of funds will go to the Sustainable Futures Fund which appears to have no to limited relationship to waste

³ Ibid.



minimization objectives. At a minimum, substantial additional detail about this Fund is needed for stakeholders to understand this Fund's purpose and the outcomes that it is supposed to achieve.

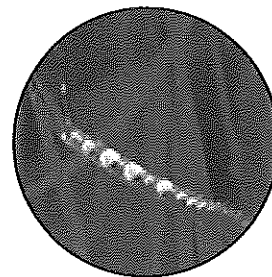
2.3.3 It appears that levy-derived funding – from C&I funding – will be allocated to the improvement of existing or development of new waste disposal and treatment facilities. Such funding would likely have the effect of inequitably subsidizing those who have underperformed to date and disadvantaging those who were "early adopters" of best practice. The pertinent example is the Ti-Tree Bioreactor which was specifically designed for optimal environmental and social outcomes through active decomposition of the waste mass and production of renewable energy. This necessarily involves higher capital, management and operational costs than would be expended on a conventional landfill.



2.3.4 Because it has the effect of subsidizing local government competitors of private sector operators, the policy model as currently proposed is likely to undermine the private sector's confidence in resource recovery infrastructure investment, and thereby perpetuate the current undersupply in C&I infrastructure.

2.3.5 Contrary to the successful and proven practice of Victoria and South Australia, there is very limited scope for the involvement of independent experts in identifying programs and projects that are likely to achieve the most substantial environmental improvements. Nor is there any independent oversight of the overall progress of the strategy against its stated target – which undermines public and stakeholder engagement and confidence.

2.3.6 Only seven of the draft strategy's 26 Actions are aimed at C&I waste; three of those seven actions feature a degree of waste stream targeting; only two of those seven actions feature a commitment to infrastructure. This failure to prioritise the critical C&I waste stream – and to deal with it in a detailed and comprehensive manner – is concerning.



2.3.7 In general, none of the draft strategy's 26 plus Actions is linked to a timetable or key performance indicators. There is a significant lack of detail with regard to virtually every Action item.

2.3.8 For example, increased collection of the C&I fraction – such as promoted by the draft strategy – requires stronger markets for recycled C&I products. While this is generally acknowledged in the Actions, including the role of government as a purchaser of recycled aggregate, there is no KPI to drive agency performance in this specific regard.



2.3.9 Additionally, an initial assessment by VES shows there is a very limited nexus between the Actions on offer and the potential to achieve the draft Strategy's stated recycling targets.

2.3.10 The above factors suggest there is little reason to have confidence that the strategy will deliver what it promises, or that its Action are based on any rigorous analysis against economic, environmental and social cost/benefit factors.

2.3.11 For example, it is difficult to see the objective case for an initiative such as "implementing a ban on the release of lighter-than-air balloons from government and government-sponsored events." Balloons do not even appear as a counted item on the National Litter Index – in part funded by the Queensland Government. (By corollary, the draft strategy does not mention the majority item in the litter stream which is cigarette butts, nor the opportunity to partner with the existing Butt Free Australia organization.)

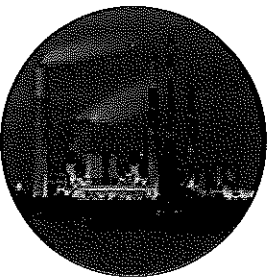
2.4 It is estimated that some \$12.5 million will be provided to DERM in 2010-2011 from levy-derived funds. VES believes clarity is needed in forward funding for DERM in order to ensure higher levels of regulatory enforcement, comprehensive data collection, policy measurement and a pro-active agency role in waste management and resource recovery infrastructure land-use planning processes. Given the "leakage risks" created by the arbitrary levy exemptions alone, the need for regulatory action – particularly against unlicensed and unscrupulous operators – will be greater than ever before.

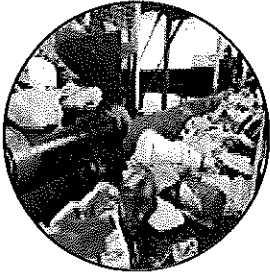


3 Issue: Administration



- 3.1 VES has several concerns with regard to the administration of the waste levy as currently proposed.
- 3.2 Given the inherent complex nature of waste and the systems by which it is collected, it will be difficult, if not impossible, for the recipients of mixed waste loads to determine how to apply or apportion the levy between MSW and C&I materials. It is therefore unreasonable to make recipients liable for this aspect.
- 3.3 In VES' view, the company is only able to take materials which are compliant with all relevant legislation and regulation. A system of clear unavoidable proof and compliance, mandated by Government, is the only way to achieve this. The generator of waste should bear the onus in terms of what is being generated for management / recovery / disposal. Arrangements which require waste recipients to warrant the contents of waste would fail to reflect commercial or operational reality. If clarity cannot be achieved on this important issue, VES' corporate governance and ethical standards would require VES to consider not accepting materials if VES is at direct risk of prosecution or related regulatory action in the event of an error in the allocation of waste as leviable or non-leviable.
- 3.4 Under the current proposal, there will be no actual "direct signal" to waste generators with regard to the levy and therefore its purpose / effectiveness is muted. It should be a legal requirement for waste levies to be separately delineated on invoices for waste management and resource recovery services.
- 3.5 As noted by Hyder: *"Greater transparency would offer waste generators the opportunity to review their waste management practices, and so reduce these costs through higher order waste reduction and avoidance behaviours."*
- 3.6 Given that the party responsible for levy payment under the proposed system is the disposal facility, not the generator, depending on times for payment of the levy to the Government, it is possible that the facility will not have recovered payment from the generator before money must be passed to the Government. It would be inappropriate for disposal facility operators to bear this cashflow burden.



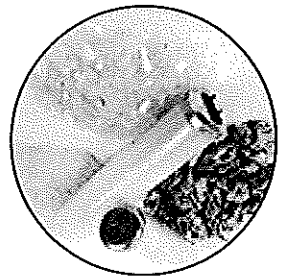


- 3.7 It is currently suggested that where there are no weighbridges in place at a disposal facility, specified vehicle configurations will be deemed to convert volume to tonnes. This is an unworkable approach as many vehicles present at waste disposal facilities with only partially full loads.
- 3.8 Clarity is required on any rebates or exemptions from the waste levy, including identification of genuine resource recovery activities, production of renewable energy from landfill gas, and use of daily cover at waste disposal facilities. Equally, procedures to substantiate rebated or exempt practices need to be established.
- 3.9 In general, it is unrealistic and impractical to expect industry to be fully prepared to administer and manage the levy within six months of the introduction of the draft legislation in December 2010.



4 Issue: Planning

- 4.1 The draft strategy does not address the role of the land-use planning in improving waste management and resource recovery outcomes. This is a significant omission that must be corrected.
- 4.2 The development of new or expansion of existing waste management and resource recovery infrastructure is vital to the achievement of the draft strategy's objectives. Substantial gains against targets – be it in C&I or MSW – can only be achieved with significant investment in facilities such as C&I sorting / recycling plants, C&D sorting / recycling plants and organics recycling plants.
- 4.3 However, the draft strategy envisages no reform to the current unproductive situation which inhibits industry confidence.
- 4.4 At present, planning consents for waste management and resource recovery infrastructure development are almost wholly controlled by local government which is problematic on several counts:
- 4.4.1 Individual Councils' mandate is necessarily local and they are required to only consider the broader, strategic needs of waste management and resource recovery on a State-wide basis. They have no requirement or incentive to make decisions with reference to the draft strategy's targets.
- 4.4.2 Individual Councils often respond to the perceived interests of local residents. Negative community perceptions of waste management and resource recovery infrastructure can sometimes be inaccurate and not based on modern industry practices. A lack of policy leadership will see a failure to develop infrastructure needed to deliver the draft strategy's objectives in key strategically important areas.
- 4.4.3 There are real or perceived conflicts of interest where an individual Council is both a consent authority for waste management and resource recovery infrastructure and an operator of waste-related services.
- 4.4.4 There are real or perceived conflicts of interest where an individual Council is the consent authority for private sector proposals with which it may be commercially competing as a waste-related service provider.
- 4.4.5 There are real or perceived conflicts of interest where an individual Council is – under the draft strategy – both a consent authority and a



recipient of funds for infrastructure development from the State Government.

4.5 It would be appropriate for the draft strategy to consider the establishment of waste-related precincts or corridors, and/or establish protocols or threshold levels for State Government involvement in planning processes for major waste management and resource recovery facilities. Such measures would seek to balance community amenity, industry confidence and the intended environmental outcomes of the draft strategy.



5 Policy Alternatives

VES recommends and supports the following policy alternatives: Apply the waste levy in a consistent and comprehensive manner for waste streams and geographic regions. Consistency and comprehensiveness will create a stronger signal for resource recovery across all material types and all parts of Queensland.

Provide rebates for specified resource recovery activities and for environmental best practice at disposal facilities, including renewable energy production from waste materials and use of daily cover as a recycled product. This would have the dual purpose of acknowledging "early adopters" of environmental best practice and addressing the commercial disadvantages and inequities created by using levy funding to subsidise start-up infrastructure by "late arrivals", such as basic weighbridges at local government operated facilities.

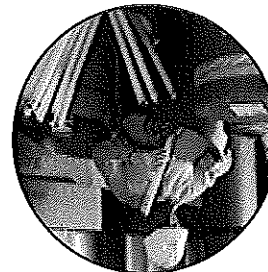
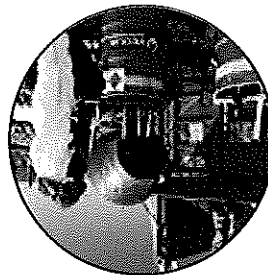
Develop levy exemptions to support innovation, such as front-end sorting and pre-treatment.
Reconfigure the proposed Stakeholder Advisory Committee as an independent multi-stakeholder Board with decision-making powers. The Board can oversee the strategy's implementation and utilise expertise in the distribution of funding to programs and projects – as per the successful inter-State practices.

Allocate a minimum of 50% of waste levy funding to the above independent Board to drive achievement of strategy objectives.

Prioritise funding for programs and initiatives for improved waste management and resource recovery practices by Queensland business / generators, including source segregation incentives.

Link funding of infrastructure-based initiatives to the proportional contribution of different waste streams through the levy rather than a "cross-subsidisation" model.

Develop and make public timeliness and KPIs for the delivery of all Action Items, including KPIs for greenhouse gas abatement and KPIs for government purchasing of recycled content products, including recycled aggregate. A basic level of accountability is key to strategy success.



"Ring-fence" a specific proportion of levy funds for DERFM purposes beyond 2010-2011 including: regulatory enforcement; data collection; policy measurement, and; contribution to land-use planning situations.

Ensure industry representation on the Technical Advisory Group to resolve levy administration and liability issues – as listed - prior to the introduction of the final legislation and regulations.

Extend the period for technical issues resolution, development of administrative practice notes, and training / industry transition by six months; introduce the levy in December 2011.

Establish waste-related precincts or corridors, and/or establish protocols or threshold levels for State Government involvement in planning processes for major waste management and resource recovery facilities.

