



AUSTRALIAN INDUSTRY
GROUP

1 March 2011

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Department of Environment and Resource Management
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Dear Ms Hughes

**Regulatory Assessment Statement and Cost Benefit Analysis
for a waste disposal levy proposal**

The Ai Group has prepared this submission in response to a request for comment from the Queensland Department of Environment and Resource Management on the Regulatory Assessment Statement (RAS) and Cost Benefit Analysis (CBA) relating to the proposed introduction of a waste disposal levy in Queensland.

Ai Group welcomes government's recent decision to defer commencement of the waste levy from 1 July 2011 to 1 December 2011, reflecting the challenging environment faced by Queensland industry as a result of recent natural disasters.

Whilst Ai Group understands the drivers for waste management reform in Queensland, a number of concerns remain regarding aspects of the levy as proposed. These concerns relate primarily to assumptions presented in the RAS and CBA and include:

- **Cost of material recovery and reprocessing:** Material recovery and reprocessing is the primary cost associated with the waste levy, accounting for about 81% of total costs. However, in the RAS and CBA documents there is an assumption recovery and reprocessing costs will be similar for all waste streams. This is based on interstate information relating to comingled kerbside recycling. It is Ai Group's view that both C&D and C&I would have cleaner recycling streams, and that recovery and reprocessing of regulated waste, whether higher or lower hazard, would be considerably more expensive than comingled waste, due to the specific and costly pre-treatment required.

***Recommendation:** Considering this is a critical component of cost benefit assessment, it is recommended the current assumptions be revised to better reflect the likely true cost of these activities.*

- **High Hazard Regulated Waste:** The predicted annual diversion rate of this waste stream under levy options 1 and 2 is 0%. For these high risk wastes which are difficult to treat and manage, the levy at \$150 per tonne is unlikely to provide an adequate price signal to prompt reuse or recycling. Accordingly there needs to be additional measures introduced to bolster waste avoidance and recycling activities related to hazardous waste.

Recommendation: Direct targeted funding to support and facilitate waste avoidance and recycling practices related to hazardous waste.

- **Levy implementation, administration and compliance costs:** It is Ai Group's view that assumptions around costs to business associated with levy introduction (\$1,727,564 per year), are not reflective of the likely true cost to business. In comparison, in 2009 the reporting obligations of the well established Water Efficiency Management Plan (WEMP) process were costing Queensland businesses on average \$8,000 per company per year. With around 420 waste companies potentially required to report, it is Ai Group's view ongoing reporting associated with the waste levy would equate to twice the predicted amount, and probably more in the years immediately following introduction.

Recommendation: The RAS and CBA documents should be amended to include a more realistic assessment of the likely cost impacts for business.

- **Exclusion of Municipal Solid Waste (MSW):** The RAS and CBA do not provide quantifiable information that would support exclusion of MSW from the levy. Without a levy on MSW, there is no price signal for Local Governments to improve their waste management practices and arrangements, which are described in the RAS as the main hurdle to improving MSW recycling rate. It is also unclear how the proposed levy would act as a deterrent for disposal of MSW from Northern NSW into Queensland's waste disposal facilities, where NSW charges a levy on MSW. Moreover, small businesses would in many cases have similar arrangements with local government, with council rates including waste collection services regardless of how much waste they produce or recycle. It is finally unclear why it is repeatedly stated in both documents that levying MWS would hinder domestic household kerbside-collection services, including recycling, when this claim is unsubstantiated.

Recommendation: Funding generated by introduction of an industry waste levy should hypothecated to industry rather than being utilised to finance recycling of kerbside domestic waste.

- **The waste levy is presented in the RAS as an avoidable charge:** However, discussions with member businesses have highlighted a lack of response and service from the waste industry, especially for smaller businesses. This issue has been raised many times with the Department of Environment and Resource Management, as large contractors might not respond to business enquiries where volumes to be collected are not commercially viable. In such situations, which currently occur repeatedly across South East Queensland, businesses would have no other choice but to pay the levy.

Recommendation: As part of levy implementation, ensure adequate up-front education and funding to support business recycling, infrastructure and market development for recycled products.

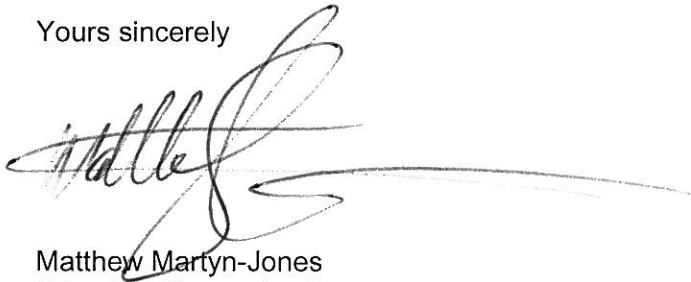
- **Government costs:** The RAS explains that certain exemptions to the levy will be made on a case-by-case basis. This would be extremely resource intensive for the regulators, who are likely to have limited capacity to assess such

applications. Further, the calculation of levy implementation costs does not appear to take into account the onerous nature of this activity.

Recommendation: *Ai Group does not believe case by case exemptions are workable and more efficient solutions such as standard exemptions should be considered prior to the introduction of the waste levy. These could for example include residual waste from recycling activities.*

Thank you for the opportunity to provide comment on these important documents. Should you wish to discuss this submission further please do not hesitate to contact Isabelle Gabas, Principal Adviser – Environment and Energy on (07) 32441504 or Jemina Dunn on (07) 32441767.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Martyn-Jones', with a long horizontal flourish extending to the right.

Matthew Martyn-Jones
Director - Queensland
The Australian Industry Group