1. Introduction

The purpose of this paper is to assist NSW councils to understand the main elements of the NSW Government’s “Waste Less, Recycle More” (WLRM) Program, released in February 2013. The fundamental questions which councils are faced with are:

- What are the main elements of the WLRM Program which are of relevance to councils?
- Are councils and waste / environmental management likely to be better or worse off under WLRM compared to their current situation?
- How will the WLRM affect their waste and environmental operations at the local and regional level?
- What are the financial implications of WLRM and changes to the Waste Levy which may accompany the current review of the Protection of the Environment (Waste) Regulation 2005?

While this paper does not provide definitive answers to all these questions for all councils in all circumstances, it will hopefully assist councils who can apply more detailed local information to ascertain the likely impact of WLRM on their council or region, to assist in further planning, deliberations or advocacy.

2. Brief History


The Waste Avoidance and Resource Recovery (WARR) Act 2001 replaced and repealed the Waste Minimisation and Management Act which had been in place since 1995. The Main elements of the WARR Act were:

- To require the preparation of a State-Wide Waste Strategy
- To pursue Extended Producer Responsibility Initiatives at a state level by identifying and regulating “Wastes of Concern”

The NSW Waste Avoidance and Resource Recovery Strategy was finalised in 2003, and included reduction targets for municipal, commercial / industrial and construction/demolition waste of 66%, 63% and 76% respectively (all based on a 2000 benchmark).

The WARR Strategy was subjected to reviews in 2004 and 2006. The 2006 review noted that “more municipal waste was recovered for recycling - up from 33% to 37% recycled, and the proportion of commercial waste recovered for recycling was also up – from 33% to 35% recycled. However, less construction waste was recycled in 2004–05, down from 68% in 2002–03 to 66%”.

Progress towards targets established by the original WARR strategy did not appear to be proceeding according to projections across all waste streams or guaranteed. Following the 2006 review the strategy was re-released as the WARR Strategy 2007. The 2007 WARR Strategy retained the four-part thrust of its predecessor, i.e.

1. Preventing and avoiding waste,
2. Increasing recovery and use of secondary materials,
3. Reducing toxicity in products and materials, and
4. Reducing litter and illegal dumping,
There was an acknowledgement however, that waste management existed within a broader context of environmental sustainability. Consequently, the programs reflected this broader approach, particularly in initiatives such as Waste and Sustainability Improvement Payments (WASIP) for councils.

Further Progress Reports were prepared in 2008 and 2010. The 2010 report assessed progress towards targets (as at 2008-9), noting reasonable performance for municipal waste (44% towards its 66% target) and commercial/industrial waste (52% towards its 63% target) and excellent progress for construction/demolition waste (73% towards its 76% target).

2.2. Waste and Sustainability Improvement Payments (WASIP)

As noted above, the 2006 WARR strategy review and subsequent revised 2007 Strategy recognised the broader pursuit of sustainability objectives as being relevant to the achievement of waste reduction targets. The Protection of the Environment (Waste) Regulation 2005 included a provision in Part 5A for the payment of Waste and Sustainability Improvement Payments (WASIP) to councils in the regulated (levy paying) area. (This new program was an extension of the previous Waste Service Performance Improvement Payment [WSPIP] program, but with a broader sustainability focus).

The Regulation provided a statutory commitment of the following amounts of money to be hypothecated to levy paying councils for waste and sustainability initiatives:

- 2009-2010—$19.8 million SMA / ERA and $1.4 million RRA,
- 2010-2011—$26.6 million SMA / ERA or $2.8 million RRA,
- 2011-2012—$34.8 million (“single pool” for SMA/ERA/RRA commenced),
- 2012-2013—$38.7 million,
- 2013-2014—$41.8 million,
- 2014-2015—$44.0 million,
- 2015-2016—$46.5 million.

Guidelines were prepared by the Office of Environment and Heritage (OEH) in consultation with a reference group comprising representatives from affected councils and the Local Government and Shires Associations of NSW (LGSA) (the predecessors of Local Government NSW). These Performance Standards were also signed off annually by the Director General of OEH and the Presidents of the LGSA. Funding allocations were calculated based on individual council populations (i.e. distributed proportionally) and were guaranteed, provided the performance standards had been met.

While the WLRM program honours the 2012-2013 commitment to providing $38.7 million to levy paying councils, the Government has announced its intention to discontinue the WASIP program from July 2013.

2.3. Richmond Review 2010 and Government response 2011

The Government commissioned a review into progress towards achievement of WARR waste reduction targets in 2010, which was overseen by a steering committee chaired by David Richmond. The Steering Committee included representation by the LGSA. The Richmond Review report acknowledged that there would be challenges in reaching waste reduction targets in some sectors (notably municipal), and proposed a series of enhancements including the need to increase dry recycling rates and to put in place specific programs to manage garden and food waste. Local infrastructure solutions (such as drop-off centres) were also proposed. The Report also proposed the establishment of a Waste Infrastructure and Sustainability Fund.
The NSW Government responded to this report with "Reducing Waste; Implementation Strategy" in March 2011. This Strategy proposed a variety of initiatives under five new focus areas:

- Making it easier for households to separate and recover their waste
- Making it easier for businesses to separate and recover their waste
- Reducing or removing problem wastes to improve resource recovery and produce environmentally safe recyclable materials
- Facilitating investment in waste infrastructure
- Reducing litter and combating illegal dumping

2.4. KPMG Waste Levy Review 2012

Following the March 2011 State Government election, the incoming NSW Liberals and National Government initiated a major review of the Waste Levy. The conduct of such a review had been one of their election platforms. After some delay the review was undertaken by consultants KPMG in 2012.

The Review’s terms of reference were to investigate, consult and report on:

- the impact of the waste levy on the recycling industry
- the impact of the waste levy on households
- funding arrangements to facilitate greater investment in infrastructure with local councils and industry
- the impact of the waste levy on illegal dumping, including the proper disposal of asbestos.

Following extensive consultation, the KPMG Report, released in June 2012, made 17 recommendations which the Government in their response generally accepted, apart from two recommendations (#6, that any levy income over and above Budget Estimates should be fully hypothecated for waste management and #16 that the levy be extended statewide for facilities accepting over 500 tonnes per annum of waste)

The remaining 15 recommendations generally dealt with investment of levy funds in waste infrastructure, anti-dumping, anti-littering and other programs. Importantly, the review received a very mixed response, during consultation, to the relative worth of the WASIP program (table 3.4, page 34 and pages 45-46), and recommendation 7 (page 62) proposed a cessation of the WASIP program, stating:

7. The Waste and Sustainability Improvement Payment (WaSIP) program should be replaced and at least the equivalent funding be made available to Local Government through funding from the waste levy revenue for waste infrastructure, education and program support. Local Government should have access to both a non-contestable Local Government programs fund and a contestable infrastructure fund.

This recommendation was accepted by the NSW Government, who responded:

The Government supports this recommendation and will amend the Protection of the Environment Operations (Waste) Regulation 2005 to give effect to the removal of the WaSIP program. The WaSIP program will be discontinued from 1 July 2013, noting the review report’s comments that funding from WaSIP was used for small and short-term projects and that a longer-term strategic approach is required. To support the transition to the new funding program, the currently allocated 2012-13 WaSIP will be paid to eligible councils prior to 30 June 2013. From 1 July 2013, local councils will instead have access to the $70 million non-contestable local government programs fund over 4 years and access to contestable grants under the Waste and Recycling Infrastructure fund and programs to tackle littering and illegal dumping.
The response above has effectively shaped relevant sections of the “Waste Less, Recycle More” Program which was announced in February 2013 and is described in greater detail below.

It is not the purpose of this LGNSW paper to assess the effectiveness or otherwise of the NSW Waste Levy. Nevertheless, it bears mentioning that the KPMG review and report was noteworthy because for the first time it provided some genuine statistical scrutiny of the Waste Levy which moved away from the largely unsubstantiated pro and anti-levy rhetoric which had prevailed and continues to prevail.

Some important findings were:

- Rapid rises in the Waste Levy had not been matched by commensurate increases in diversion from landfill in any of the three major waste streams, Municipal, Commercial / Industrial or Construction / Demolition (figure 1, page 13),
- Each of the three waste streams Municipal, Commercial / Industrial and Construction / Demolition, contribute approximately one third of the total waste stream, and therefore the waste levy, each. (table 2.3, page 16),
- Of the 30.7% of total levy revenue contributed by municipal waste in 2010-2011, 20% came from the Sydney Metropolitan Area (SMA), 9.2% came from the Extended Regulatory Area (ERA) and 1.5% came from the Regional Regulated Area (table 2.4, page 17),
- The Waste Levy makes up around 38-40% of the total cost of landfill gate charges in the SMA/ERA (table 2.6, page 17),
- 70% of surveyed households found the levy ineffective as a behaviour change agent, and only 7% claimed that it was effective. 23% responded “n/a”. (page 32),
- The long held assertion that the increasing levy provides an incentive to recycle rather than dispose to landfill was subject to a mixed response, with some agreeing and others, notably councils, suggesting that the cost of collecting, separating, transporting and processing diverted recyclable goods effectively negated any savings due to reductions in waste to landfill (page 33-34),
- The review expressed a clear link (with statistically documented evidence) that increases in the levy had been accompanied by increases in illegal dumping (page 35),
- There was a widely held, almost universal belief among survey respondents that for materials such as asbestos, which could not be recycled or reused, the levy should not apply, as disposal was the only option (pages 36 and 48)

3. Main Features of the “Waste Less, Recycle More” program (summarised from WLRM website)

(NB: these features have been presented by the NSW Government (and therefore in this paper) in a way that means that elements can appear, whole or in part, in more than one section of the list. They should not be considered to be discrete programs which can simply be added to arrive at a total)

3.1. Waste and Recycling Infrastructure Fund

A funding package of $250 million over 5 years designed to enhance recycling and alternative waste treatment infrastructure across NSW. The program comprises:
- Organics Infrastructure fund and program – $70 million,
- Improved systems for household problem wastes – $70 million,
- Waste and Recycling Infrastructure fund to support communities that pay the waste levy – $60 million,
- Business Recycling program – $35 million,

3.2. Supporting Local Communities – Local Government Program
This program quarantines funds for Local Government and comprises two packages:

### 3.2.1. Non-contestable Local Government Waste and Resource Recovery Program

A non-contestable Local Government Waste and Resource Recovery Program will provide $137.7 million over 5 years to support local communities aiming to increase recycling and reduce illegal dumping and littering. This program comprises:

- Transitional funding of $38.7 million to be paid out in early 2013 to councils that pay waste levies to support the transition from the Waste and Sustainability Improvement Payment (WaSIP) program (note that this honours the existing commitment for 2012-2013 as specified in the POEO (Waste Reg 2005),
- $70 million allocated over 4 years from 1 July 2013 for councils that pay waste levies to improve recycling, and to tackle litter and illegal dumping,
- $9 million to fund regional coordinators, infrastructure planning and the development of Regional Waste Avoidance and Recovery strategies,
- $13 million to support voluntary regional waste groups with coordination and infrastructure planning,
- $7 million to support regional and rural local councils with landfill consolidation and closure.

The WLRM Program also notes that “Councils, industry and not-for-profit organisations will also be able to apply for a further $133.9 million of contestable grants”.

### 3.2.2. Contestable Grants

Contestable Grants: A contestable grants program (for councils only) totalling $85.1 million comprising:

- $44.3 million over 4 years for a state-wide network of new and upgraded drop-off centres for household problem wastes,
- $17 million over 4 years to assist local communities and councils introduce organics collection systems and community education,
- $13.8 million over 5 years for regional illegal dumping squads and programs, and community education,
- $10 million over 4 years to support local councils with litter prevention campaigns and infrastructure.

### 3.2.3. Combating Illegal Dumping

The NSW Illegal Dumping strategy allocates $58 million over 5 years for a multifaceted approach to combat illegal dumping, including education, capacity building, prevention infrastructure and enforcement. Concurrent with the release of the WLRM program, the NSW Government released a Draft Illegal Dumping Strategy for comment (until 30 April 2013).

The draft strategy proposes:

- Targeted grant funding,
- Establishing new regional programs to tackle illegal dumping across NSW in partnership with local councils,
- Increased compliance campaigns to reduce illegal dumping,
- Targeted community education and awareness,
- Trialling asbestos prevention measures and home asbestos kits.

### 3.2.4. Tackling Litter

The WLRM Program allocates $20 million over 5 years for anti–littering initiatives across NSW in conjunction with community organisations and councils. A new litter strategy will be established in consultation with local councils, industry and community organisations, including:

- $10 million for local government programs and initiatives,
- targeted grant funding,
- community education campaigns.
3.2.5. **Improving the Operation of the Waste Levy**

Key reforms to the Waste Levy announced to date include:

- a structural adjustment program to assist NSW metal shredders
- the re-instatement of a 10 per cent levy exemption to the disposal of virgin excavated natural material (*note that this will be of relevance to councils who own/operate landfills*)

3.2.6. **Consideration of Energy from Waste**

- The Government is releasing a draft [Energy from Waste Policy](#) for consultation until 3 May 2013

4. **Funding the Program: Levy issues**

Local Government NSW have previously (2011) undertaken an analysis of the Waste Levy and the level of hypothecation for council waste and sustainability initiatives. Excerpts are reproduced in appendix 1 below. Based on available data, it was calculated that in the year 2009-2010, the hypothecation rate for councils (that is, the proportion of the levy that councils were paying which was returned for council initiatives) **was in the order of 53.5%**. This was comprised of the WASIP commitments referred to in section 2.2 above, plus the Government’s other waste and sustainability programs.

It should be noted however, that while WASIP commitments have been upheld to 2012-2013, the USP program, which involved some $19.7 million per year, lapsed in 2011 and this reduced the effective rate of hypothecation in 2011-2012 and 2012-2013 significantly, **to a figure of approximately 32%**

In order to determine the rate of hypothecation which may prevail under the WLRM program in the financial year 2013-2014, it is necessary to make some assumptions.

**Assumptions for financial analysis:**

a) The NSW Government Budget estimates for the financial year 2013-2014 are accurate, i.e. the **Levy will raise a total of $465 from all sources**, council and other;

b) Local Government will continue to contribute the proportion of the levy which it has historically contributed, i.e. approximately 30%, **totalling $139.5 million**; (*note that this tallies broadly with findings by KPMG in 2012 who noted regional variations but estimated that municipal waste contributes around 32% of total levy income*)

c) The elements of WLRM targeting local councils, which expend money over 4 or 5 years, **will expend that money evenly across those years**. Specifically, this represents:

- Recycling / Illegal dumping, $70 million over 4 years = $17.5 million per year
- Regional Waste strategies $9 million over 5 years = $1.8 million per year
- Voluntary Waste Groups $13 million over 5 years = $2.6 million per year
- Landfill consolidation $7 million over 5 years = $1.4 million per year
- Drop off Centres $44.3 million over 4 years = $11.075 million per year
- Community Education $17 million over 4 years = $4.25 million per year
- Regional Illegal Dumping $13.8 million over 5 years = $2.76 million per year
- Litter prevention $10 million over 4 years = $2.5 million per year

Based on quarantined Local Government programs only, the total allocation per year on **Local Government programs is therefore $43.885 million**
d) Local Government, along with industry and not-for-profit groups, is also eligible to apply for contestable grants totalling $133.9 million over 5 years, or $26.78 million per year. Assuming Local Government manages to successfully apply for 50% of that funding, this could represent an additional $13.39 million per year. If Local Government only manages to successfully access 25% of available contestable funding, this could represent an additional $6.695 million per year.

e) This calculation assumes that that there will be no additional councils included in the current Regulated (levy-paying) Region. If additional councils were to be included, this could significantly impact the total amount of levy income to Government, and would also affect the internal allocations of the WLRM program.

Based on the above assumptions, it is estimated that of the total $139.5 million contributed to the Levy by NSW councils, they will receive somewhere between $50.58 million and $57.275 (depending on their success rate with contestable grants) for waste related programs. This indicates that the direct hypothecation rate for councils under WLRM will be somewhere between 36.26% and 41.04%.

5. Are Councils Better or Worse off under WLRM than they were before?

5.1. Hypothecation rates

As noted above, effective hypothecation rate for councils (that is, the proportion of levy funds that councils were paying which was hypothecated for council initiatives) was:

- Approximately 53.5% in the years 2006-2011, while the Urban Sustainability Program was active
- Approximately 32% in the financial years 2011-2012 and 2012-2013 when the Urban Sustainability Program had lapsed

The expected WLRM Program hypothecation rate, of between 36.26% and 41.04%, therefore compares favourably with hypothecation in recent years (32%), and less favourably with historical hypothecation rates over the longer term (53.5%)

5.2. Greater Waste Focus, Less Sustainability Focus

As a result of the findings of the KPMG Waste Levy Review, and perhaps more importantly a shift in NSW Government priorities, there is less of an emphasis on broader sustainability initiatives in WLRM, and a greater emphasis on core waste management activities. This is confirmed by the NSW Government’s intention to cease WASIP from July 2013. There is now a strong emphasis on infrastructure and traditional waste related activities (drop-off centres, landfill management, illegal dumping etc). However WLRM also includes less tangible (but arguably no less important) allocations of funding for waste education on issues such as littering and illegal dumping, garden and food waste separation etc) and the development of Regional Waste Strategies.

Generally the WLRM Program represents a multi-faceted program with many initiatives on offer to councils. While it is fair to say there is nothing that is absolutely new or previously untried among the WLRM sub programs, these initiatives and the relative emphasis applied to the sub-programs are result of exhaustive research and consultation with councils through the Richmond Review and KPMG Levy Review in recent years.

5.3. Uncertainty of Regional Distribution of Funds

At this stage the WLRM Program does not contain sufficient detail to ascertain whether individual councils in the SMA, ERA, RRA or Unregulated Area will be better or worse off than
before. The situation for the non-contestable council component of WLRM is fairly clear: There are amounts allocated specifically to levy-paying councils and also firm allocations for Regional Waste Strategies, Voluntary Regional Waste Groups and Landfill Consolidation which will ensure a flow of funds to regional NSW councils. It is uncertain however how councils in various regions will fare in the distribution of contestable (council) funding and broader contestable funding programs.

5.4. The Possible Inclusion of Additional Councils in the Regulated Area

The KPMG Report recommended that the levy be extended state-wide, and be applicable to landfills receiving over 5000 tonnes of waste per year. In their response to this recommendation, the NSW Government stated:

*The Government does not support this recommendation……...the EPA, in conjunction with the Local Government and Shires Associations, will consult with councils likely to be affected by adopting this recommendation, including councils in the Regional Regulated Area, as part of the comprehensive review of the Protection of the Environment Operations (Waste) Regulation 2005 in early 2013. The consultation with affected councils on the broadening of the waste levy base will also address alternative voluntary mechanisms, the practical application and costs of the proposed levy threshold of 5000 tonnes per year on existing landfills, and the most appropriate mechanism for dealing with new small rural landfill sites greater than 200 tonnes. The result of this consultation will be further considered by Government in mid-2013.*

This response clearly leaves the door open for inclusion of additional councils to the current (levy paying) regulated areas. The forthcoming review of the POEO (Waste) Regulation 2005 is almost certain to consider the broadening of the reach of the levy into regional NSW, particularly for larger regional centres. If this results in the inclusion of additional councils, it affects the overall hypothecation rate (because some elements of WLRM refer to distribution of funds to “councils that pay the waste levy”), as the available committed funds will be spread more widely among additional, newly levied councils.

So in simple terms, the inclusion of additional councils in the Regulated Area will increase Levy income to Treasury, while at this stage the allocations of funds under WLRM are finite and static, ie unresponsive to additional levy income.

6. Conclusion and suggested ways forward for NSW councils

By necessity, the analysis above has been fairly broad brush, both geographically and financially. Councils will have access to more detailed records of their levy payments and their historical access to WASIP funding and other levy-funded programs. This more detailed information should assist councils to determine whether they are likely to be better off under the new arrangements, i.e. whether WLRM represents a greater or diminished access to funding for their council.

- Individual councils should consider how the various elements of WLRM will affect their situation, both due to their geographical location and their progress on the various waste initiatives proposed (e.g. whether they already have a drop-off centre, or whether they already conduct food/garden waste collections or trials, whether they are already pursuing landfill consolidation, whether they already participate in a RID Squad etc). To some extent, it could be argued that WLRM has relatively less to offer councils who are well progressed on these initiatives, while it has a great deal to offer councils who are yet to consider these options. Whereas WASIP provided a degree of certainty of return of a proportion of levy funds to individual councils, under WLRM, the level of “local hypothecation” is likely to be variable, and subject to competition between councils.
When considering the proportion of available funds that should be directed to their council/region, councils should keep in mind the findings reported by KPMG, which found that of total municipal levy funds, the SMA, ERA and RRA contribute 20%, 9.2% and 1.5% respectively. (KPMG 2012, table 2.4, page 17). This may provide a “rule of thumb” in terms of the equity of the distribution of funding of the Local Government elements of WLRM, however a degree of cross subsidisation is inevitable, mindful also that many of the programs will include unregulated (non levy-paying) rural councils as funding recipients.

On a broader scale, Local Government should pursue a commitment to proportional rather than absolute hypothecation levels. The inclusion of additional levy paying councils while WLRM allocations remain fixed for the next 4-5 years will effectively reduce the hypothecation rate and spread the available funds more thinly. A commitment by Government to a proportional hypothecation rate will ensure a more assured rate of return for councils.

Related to the above point, the KPMG (2012) report examined the Treasury forecast figures for levy income and calculated that the amounts were predicated on an annual reduction of waste disposal tonnages in the order of 7-9% (and higher in some cases), figures that are not borne out historically. KPMG stated that even with the existing levy base (ie no additional councils) “the Government may have overestimated the impact that the levy will have on waste diversion in future years. A lower than expected increase in waste diversion will lead to greater revenue than what the Government has projected in its forward estimates”. (page 59-61). KPMG proposed the full hypothecation of any additional revenues over and above Treasury’s budget forecasts, a recommendation which was not accepted by the NSW Government, in reply confirming that the allocation from levy funds would remain fixed at $457.9 million”, irrespective of levy incomes.

With the cessation of WASIP, councils will need to seek other sources of funding to continue or initiate sustainability programs. As was revealed in the KPMG review consultations, council views on the importance of WASIP funding for sustainability initiatives were somewhat mixed. Opportunities still exist for raising funds through the rating system (via special environmental levies, stormwater levies etc), but these are subject to NSW Government approval, and lack the certainty that was previously provided by WASIP. Those councils who consider that a significant “gap” will been created in their sustainability programs when WASIP ceases should make strident representations to that effect in the forthcoming review of the POEO (Waste) Regulation 2005 review.

In conclusion, the WLRM program:
- Includes a variety of worthwhile, well researched initiatives that will be beneficial to council waste operations and policy/program development,
- Reduces the emphasis on sustainability and increases the emphasis on traditional waste management activities, which will require councils to seek alternative sources of funding for their sustainability programs,
- Will provide a reduced level of hypothecation of levies collected by councils (somewhere between 36.26% and 41.04%) than prevailed under the WASIP/USP era, 53.5% (2006-2011), but more than has prevailed in 2011-2 and 2012-13, since the cessation of USP, 32%,
- Provides less certainty of return to individual councils and regions than was provided under WASIP and potentially introduces a more competitive arrangement for the finite funding packages available.
### Appendix 1, History of the Waste Levy
(excerpts from paper prepared by LGSA in 2011, updated in various places to reflect new data which has become available)

#### 1. Background to the Levy

The Waste Levy in its current form was introduced in the early 1990s. Initially applied only in the Sydney Metropolitan Area (SMA), it was extended to the Hunter, Illawarra and Central Coast Regions (the extended Regulatory Area or ERA) in 1996-7 and more recently to the North Eastern Region plus Wollondilly / Blue Mountains (the Regional Regulated area or RRA) in 2009-2010.

The table below shows the growth of the levy since 1993.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sydney Metropolitan Area (SMA) Rate ($/tonne)</th>
<th>Extended Regulated Area (ERA) (Hunter, Illawarra, Central Coast) Rate ($/tonne)</th>
<th>Regional Regulated Area (RRA) Adds Wollondilly, Blue Mountains and Northern NSW Councils</th>
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<tbody>
<tr>
<td>1/1/93</td>
<td>4.20</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>1995/96</td>
<td>7.20</td>
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<tr>
<td>2013-2016</td>
<td>Further increases of $10 per tonne per year, indexed for CPI</td>
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</table>
2. Impact of the Levy

The Waste and Environment Levy has always been described by the NSW Government as “one of the key policy tools used in NSW and many other jurisdictions around the world to drive waste avoidance and resource recovery”. It is designed to send “an important price signal to different parts of the waste market” (DECCW)

The graph below shows the three major waste streams on the one chart, to allow for a more ready comparison between trends in each stream.
It is acknowledged that there are challenges in attempting to assign “cause and effect” relationships between the increasing levy and the three waste streams. There are other factors involved, including economic conditions / growth etc. What does seem apparent, however, is that the municipal waste stream has, in the past ten years, displayed the most stability and the least elasticity or reaction to increases in the levy and other market forces.

It is therefore questionable whether, in the absence of any other initiatives / drivers, further increases in the levy will in fact lead to any appreciable reduction in the municipal waste stream, which makes up a significant proportion of the total waste stream (26-35% of the waste stream, according to OEH) *(note, this lack of levy impact on household waste was also described in the KPMG report 2012 page 32, which found that 70% of households found the levy ineffective as a behaviour change agent, and only 7% claimed that it was effective)*

Further, current Budget Estimates would indicate that the NSW Government does not envisage any fall in the total levy income during the next for years, as illustrated in the table below, sourced from NSW Budget Papers 2012-2013. In fact based on Budget Estimates forecasts (highlighted in blue in the table below), an increase of 4.1% is envisaged for the period 2011-12 to 2015-16. It should be noted that these estimates pre-date the release of the Government’s “Waste Less, Recycle More” Program and the proposed review of the Protection of the Environment (Waste) Regulation 2005, which may lead to revised figures in the 2013 or future Budgets.
Table 5.5 Taxation Revenue (from Budget Estimates Paper 2, 2012)

<table>
<thead>
<tr>
<th></th>
<th>2010-11 Actual $m</th>
<th>2011-12 Budget $m</th>
<th>2011-12 Revised $m</th>
<th>2012-13 Budget $m</th>
<th>2013-14 $m</th>
<th>2014-15 $m</th>
<th>2015-16 $m</th>
<th>% Average Growth p.a. 2011-12 to 2015-16</th>
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<td><strong>Stamp Duties</strong></td>
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<td>166</td>
<td>171</td>
<td>177</td>
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<td>182</td>
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<td>5.9</td>
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<td>0</td>
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<td>Parking Space Levy</td>
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<td>97</td>
<td>99</td>
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<td>105</td>
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<td>698</td>
<td>711</td>
<td>695</td>
<td>691</td>
<td>673</td>
<td>670</td>
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<td>Waste and Environment Levy</td>
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<td>433</td>
<td>433</td>
<td>460</td>
<td>465</td>
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<td>27</td>
<td>27</td>
<td>1.9</td>
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<td>Pollution Control Licences</td>
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<td>47</td>
<td>48</td>
<td>47</td>
<td>48</td>
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<td>Other Taxes</td>
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<td>501</td>
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<td>526</td>
<td>530</td>
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<tr>
<td><strong>Total</strong></td>
<td>2,592</td>
<td>2,504</td>
<td>2,489</td>
<td>2,523</td>
<td>2,628</td>
<td>2,743</td>
<td>2,833</td>
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<td><strong>Total Tax Revenue</strong></td>
<td>20,395</td>
<td>20,558</td>
<td>20,659</td>
<td>22,111</td>
<td>23,273</td>
<td>24,753</td>
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<td>6.6%</td>
<td>1.3%</td>
<td>7.0%</td>
<td>5.3%</td>
<td>6.4%</td>
<td>6.2%</td>
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</table>

The two factors at work here to produce these Estimates forecast figures are the increasing rate of the levy per tonne, and the reduction in the tonnages on which that rate is based. In colloquial terms, “the rate goes up, the tonnes go down, and the net result is that total revenue increases as per the forecasts”. It seems clear however, that of the three waste streams, municipal waste will be less responsive (if at all) to increasing levy rates per tonne. The net effect of this is that municipal waste will potentially contribute an increasing proportion of total levy payments in the future.

3. The Policy Dilemma

We are faced, to some extent, with an unintentional conflict in Government objectives, that is,

- The maintenance of income to Treasury from the Waste Levy (as clearly demonstrated by Budget Estimates) and
• The reduction of waste, on which that Levy depends, in accordance with the Government’s Waste Avoidance and Resource Recovery targets.

The “trick” therefore, may be to either restructure and/or disburse (hypotheicate) part of the levy in such a way that:

• Maintains the net income to Treasury, and simultaneously
• Reduces waste in those streams where opportunities exist to create a more discernable “downward trend”

The municipal waste stream, comprising some 26-35% of the total waste stream, represents a sector where there could be significantly more investment to bring about a reduction in waste and greater diversion rates, and where the increasing levy is having little or no apparent effect. The table shows that recovery rates for Municipal Waste, at 44%, are significantly lower than other streams, at 52% (C&I) and 73% (C&D).

4. Current rates of Hypothecation and Investment for Initiatives to address the Municipal Waste Stream

(note, the figures below relate to 2010-2011, prior to the cessation of the Urban Sustainability, USP Program)

The amount of funding hypothecated to Local Government from the Waste Levy is in two parts, statutory and discretionary.

Firstly, it involves a statutory commitment to distribute Waste and Sustainability Improvement Payments (WASIP) in accordance with the Protection of the Environment Operations (Waste) Regulation 2005 as amended in late 2008:
<table>
<thead>
<tr>
<th>Year</th>
<th>SMA / ERA ($m)</th>
<th>RRA ($m)</th>
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</thead>
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<tr>
<td>2009-10</td>
<td>19.8</td>
<td>1.4</td>
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<tr>
<td>2010-11</td>
<td>26.6</td>
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<td>2011-12</td>
<td>34.8</td>
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<td>2012-13</td>
<td>38.7</td>
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<td>2013-14</td>
<td>41.8</td>
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<td>2014-15</td>
<td>44.0</td>
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<tr>
<td>2015-16</td>
<td>46.5</td>
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</tr>
</tbody>
</table>


These WASIP payments to councils must be applied to Waste and Sustainability-related initiatives, as determined by DECCW in consultation with LGSA.

Secondly, it involves a discretionary amount, consisting of funding programs which are available to local councils and community groups. In 2009-10 for example, this totalled $49 million and comprised the following:

- $19.7 million to councils for local Urban Sustainability Projects, awarded through a competitive grant program *(note, USP ended in 2011)*
- $4 million for local community and local government environment restoration and community education
- more than $2 million to local government regional waste groups and anti-dumping squads
- $1.5 million for household chemical clean-ups conducted with councils
- more than $600,000 for local Aboriginal land and community clean-ups, local small business programs, guidance on sustainable purchasing and organic recycling support.

Based on municipal waste contributing approximately 26%-35%, say 30% of the total Waste Levy income of $305 million (ie $91.5 million), these total payments of $49 million ($21.2 million WASIP payments and $27.8 million discretionary payments) to councils / community groups in 2009-2010 represent a hypothecation rate for municipal waste levies of 53.5%.