

Submission by



to the

**Ministry for the Environment**

on the

**Reducing Waste: A more effective landfill levy**

**Consultation Document**

February 2020

**REDUCING WASTE: A MORE EFFECTIVE LANDFILL LEVY  
CONSULTATION DOCUMENT  
SUBMISSION BY BUSINESSNZ<sup>1</sup>**

**1.0 SUMMARY**

- 1.1 BusinessNZ welcomes the opportunity to comment *on Reducing Waste: A More Effective Landfill Levy Consultation Document* (“the Consultation Document”).
- 1.2 BusinessNZ acknowledges the Government is endeavouring to address the greater amount of waste going to landfill by advocating an increase in the waste levy and its extension to a greater number of landfills.
- 1.3 The Government wants to minimise waste and encourage a more efficient use of resources by moving from a linear ‘take, make and waste’ economy to a circular economy approach where resources are cycled (make, use, return) with waste designed out of production. This is part of a longer-term goal of moving to a low-emissions, sustainable and inclusive economy for New Zealand. (Consultation Document – p.16)
- 1.4 The above situation is one the broader business community - suppliers and consumers - increasingly aspires to. Industries and others have made a huge effort to look seriously at how their businesses impact on the waste stream and have learnt that changing practices can result in significant environmental gains.
- 1.5 The Government is proposing to increase the levy rate in stages from the existing \$10 per tonne to \$50 or \$60 per tonne by 2023 and apply the levy itself to all landfills, except cleanfills or farm dumps. Currently, the levy applies only to municipal landfills, that is, those that take household waste, 41 of the approximately 427 consented landfills listed in the most recent national survey, and accept around 45 percent of the materials New Zealand disposes of (not including material disposed of at cleanfills). The Consultation Paper includes more specific information on these figures.
- 1.6 Landfill coverage will also extend to landfills taking construction, demolition waste and industrial waste with some landfills taking largely inert materials such as rubble and soils. For such landfills the levy will be either \$10 or \$20 per tonne of waste disposed.
- 1.7 The table over page shows the four options for levy rates and phasing (as sourced from the Consultation Document).

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<sup>1</sup> Background information on BusinessNZ is attached as Appendix 1.

| Proposed options: levy rate and coverage  |                          |                         |                          |                                 |
|---|--------------------------|-------------------------|--------------------------|---------------------------------|
| Landfill types  | A (Increase then expand) | B (Expand and increase) | C (Expand then increase) | D (Expand then higher increase) |
| Municipal landfills (class 1)   | \$20 1 July 2020         | \$20 1 July 2021        | \$30 1 July 2022         | \$30 1 July 2022                |
|   | \$30 1 July 2021         | \$30 1 July 2022        | \$50 1 July 2023         | \$60 1 July 2023                |
|   | \$50 1 July 2022         | \$50 1 July 2023        |                          |                                 |
| Industrial monofills (class 1)  |                          |                         | \$10 1 July 2021         | \$10 1 July 2021                |
| and   | \$20 1 July 2021         | \$20 1 July 2021        | \$20 1 July 2023         | \$20 1 July 2022                |
| Construction and demolition fills (class 2)   |                          |                         |                          |                                 |
| Contaminated soils and inert materials (managed and controlled fill sites; class 3 and 4) | \$10 1 July 2023         | \$10 1 July 2023        | \$10 1 July 2023         | \$10 1 July 2023                |

All figures are GST exclusive

- 1.8 The Government believes its proposals to increase the levy rate and expand its coverage will significantly grow levy revenue from appropriately \$30 million currently to around \$220-\$250 million per annum by 2023. It intends to develop an investment plan to ensure this levy revenue is spent where it can be most effective.
- 1.9 As might be expected, BusinessNZ's membership has mixed views on the merits or otherwise of increasing the waste levy over and above normal commercial landfill charges, as with increasing the scope of the levy. While some members are opposed to any form of waste levy, others are receptive to both a levy increase and to its expansion. BusinessNZ has therefore encouraged individual members to make their own submissions raising issues specific to their areas of expertise.
- 1.10 Notwithstanding the above, BusinessNZ has three broad concerns in respect both to the proposed expansion and level of the waste levy. These should be considered and addressed before proceeding further.
- 1.11 BusinessNZ's concerns include:
1. The need to understand the nature of the risk the levy expansion and increase are intended to address.
  2. The importance of having appropriate infrastructure in place to ensure greater recycling and re-use given that lacking appropriate infrastructure, the expansion of the levy to a wider set of landfills, as well as any levy increase, will simply act as a tax with no meaningful impact on waste going to landfill.
  3. The need to ensure waste levy funds raised are used appropriately.

## **Recommendations**

BusinessNZ **recommends** that:

- **Officials clearly articulate and if possible, quantify the specific externalities, currently not captured by normal landfill pricing structures, which justify the increase and/or expansion of the waste levy base.**
- **Greater effort be made to send households transparent pricing signals for rubbish collection and disposal before the waste levy is increased and/or waste levy coverage is expanded.**
- **The Government, with input from potential private sector providers, considers options to ensure appropriate infrastructure is in place to allow for greater recycling and re-use given that lacking appropriate infrastructure, expanding the levy to a wider set of landfills, together with any levy increase, will likely add cost but with no meaningful impact on the amount of waste going to landfill.**
- **Irrespective of whether the Government increases the waste levy and/or expands its coverage, all the levy (excluding any collection-associated costs) should go into a contestable fund.**

Without prejudice to the above recommendations:

BusinessNZ **recommends** that:

- **Major waste levy payers should have a significant input into the allocation of waste levy funds to maximise their potential to reduce current levels of waste going to landfill.**
- **The allocation of waste levy funds should ideally be at arm's length from both the Government and MfE officials and instead be overseen by the major levy payers and by private sector personnel with expertise in waste management issues. This would avoid the risk of funding being siphoned off to favoured political projects.**

## **2.0 Understanding the nature of the risks which the levy expansion and increase are intended to address**

2.1 The Government considers increasing the levy will better reflect the full environmental, social and economic costs of waste disposal, encouraging materials to be reused and recycled rather than sent to landfill. The Consultation Document considers this will help make the economy more efficient and help create additional jobs.

2.2 BusinessNZ assumes the rationale for levies on waste above normal commercial landfill charge is to deal with any potential externalities associated with waste disposal, although it is not clear from the Consultation Document which externalities are not already captured by current waste disposal landfill charges. The recent NZIER report<sup>2</sup> to the Ministry for the Environment (MfE) noted that:

*"Landfilling has been associated with a range of adverse environmental effects, including discharges to air (greenhouse gas emissions and some local air pollutants), discharges into ground/water (leachates of heavy metals) and general nuisance effects such as noise, odours, lighting and attraction of vermin. Apart from greenhouse gases and discharges to water which may spread widely, these effects are highly localised. Siting landfills away from areas of habitation reduces their economic and environmental cost, offset partly by the consequent need to transport waste over longer distances from source to destination.*

*The international evidence suggests that the economic cost of these environmental effects is also relatively low, at least from modern landfills with management systems to contain the adverse environmental effects. There will be exceptions to this." (p. ii).*

2.3 Externalities, or spillovers, lead to a divergence between private and social (public) costs and benefits, where private refers to the costs and benefits to those participating in market transactions, and social refers to the costs and benefits to all members of society.

2.4 Where externalities exist, market resource allocation may not be efficient. Individuals and firms that do not bear the full cost of the negative externalities they generate will engage excessively in such activities. Conversely, since individuals and firms do not reap the full benefit of activities generating positive externalities, they will engage less in those activities than is socially optimal.

2.5 Governments can respond to externalities in several ways. With mainly negative externalities, governments can attempt to regulate, impose a levy or tax the activity in question. Alternately, they can encourage activities where positive externalities are created, for example, through subsidies, by making

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<sup>2</sup> New Zealand Institute of Economic Research – Waste Levy Extension Estimates of extending and raising levy. NZIER report to Ministry for the Environment (November 2019)

cash payments or by providing other support mechanisms to people participating in those activities. Often such encouragements are output-based and intended to increase the production or supply of the positive externalities.

- 2.6 BusinessNZ considers officials need to be much clearer as to what the specific "*environmental, social and economic costs of waste disposal*" are. For example, encouraging, where practicable, materials to be reused and recycled is very desirable and laudable but assuming levy imposition will encourage more employment is simply fallacious. While in respect to recycling and waste reduction-associated activities employment might increase, this would simply involve a re-allocation of employment from other areas of job growth. It would be like saying the devastating Christchurch earthquakes, which resulted in massive building damage, created a boom for reconstruction in Christchurch. Rather, they merely saw resources redeployed from other areas of the economy.
- 2.7 The above notwithstanding, it is important to recognise there is an optimal amount of waste reduction. For any reduction effort - crime prevention, road safety etc – there is an optimal amount of resource that can be spent before the cost of reducing the risk outweighs the cost of the problem itself. It is the same with waste; waste cannot be eliminated completely, other than at great cost.
- 2.8 The Australian Productivity Commission Report on "*Waste Management*" (2006) is instructive in this regard, challenging "*...the notion of waste being inherently bad and recycling being inherently good. Policies that minimise waste are not costless and more recycling is not always a better thing.*"
- 2.9 Clearly the total cost of time, energy and money needs to be considered when making decisions about disposing of waste in landfills and the types of products that may be worth recycling. It is important that in seeking to reduce physical waste we do not also waste resources by diverting them from other, more valuable, uses.
- 2.10 Also of importance is that waste disposal may be driven by a significant range of factors e.g. the changing nature of the economy (new products/processes etc.), the extent of economic growth and the nature of the industries driving the growth. Given the range of factors involved, including but not limited to competitive pressures, it is unlikely growth in the economy will lead either to a uniform waste increase or decrease.
- 2.11 Therefore, that the amount of waste to be disposed of either increases or decreases will not, of itself, show whether a waste levy is effective or ineffective.
- 2.12 As a general principle, individuals and companies should bear the full costs of their behaviour (i.e. costs should be internalised) since there will be an over-consumption of resources if costs can be shifted on to third parties. Waste

minimisation is no different. If rational decisions are to be made about waste minimisation, those involved should ideally bear the costs (and benefits) associated with specific options/outcomes.

- 2.13 Business NZ considers much more effort needs to be made to send households economically transparent pricing signals for rubbish collection and disposal. Many councils still fund these out of general rates meaning there is little apparent connection between the amount of rubbish disposed of and the costs faced by households. Significant improvement in pricing is required before considering interventions such as an increased and/or expanded waste levy. This point was made very strongly in the Australian Productivity Commission Waste Management report: *"Getting prices for waste disposal right will help reduce waste generation and achieve an appropriate balance between disposal and recycling. Basic forms of 'pay as you throw' pricing for municipal waste, such as charging for larger bins or more frequent services, should be more widely adopted."*

BusinessNZ **recommends** that:

- **Officials clearly articulate and if possible, quantify the specific externalities, currently not captured by normal landfill pricing structures, which justify the increase and/or expansion of the waste levy base.**
- **Greater effort be made to send households transparent pricing signals for rubbish collection and disposal before the waste levy is increased and/or waste levy coverage is expanded.**

### **3.0 The importance of having appropriate infrastructure in place to ensure greater recycling and re-use**

- 3.1 Any changes leading to the adoption of increased waste levies and/or expansion of coverage must reflect the nature of the products and their respective markets.
- 3.2 BusinessNZ recommends that before making such decisions, care is taken to ensure market processes, and the cost of necessary infrastructure, are clearly understood.
- 3.3 New Zealand is a mountainous country with a relatively low population base of 5 million. While, significantly, close to 2 million people live in the Auckland region, generally, the population base is widespread, particularly in the South Island, and therefore likely to make greater recycling, or at least, ensuring most product is captured within a scheme, at times impractical.

- 3.4 Given a small and widespread population base, there will likely be instances where it will be economically impractical to require greater reuse/recycling. The sheer cost of moving, say, tyres from an isolated area for recovery/recycling etc. must be considered. As noted, there will be an optimal amount of waste; 100% recovery for products at their end of life will likely be impractical.
- 3.5 While some recycling facilities are reasonably well-developed, others are in their infancy or in many cases, non-existent. For example, BusinessNZ understands a considerable amount of work has gone into researching opportunities for recycling tyres and that Waste Management has developed a recycling plant in Auckland, with assistance from the Waste Minimisation Fund, which potentially could safely process around 50% of NZ's end-life tyres.
- 3.6 Increasing levies on waste going to landfill and expanding coverage without the necessary infrastructure to deal effectively with end of life, or legacy products would be largely self-defeating.
- 3.7 In the past there has been concern about the cost and viability of the infrastructure required to allow for greater resource recovery/recycling.
- 3.8 Significant infrastructure, with taxpayer funding, will likely be necessary given the current doubtful returns from many resource recovery and recycling initiatives.
- 3.9 It may be possible for government in tandem with industry to set up recycling or reprocessing hubs around the country for materials collection, collation, and if need be processing so that:
- Larger quantities of materials can be consolidated locally with no need to ship small quantities long distances;
  - Account is taken of the need for economies of scale and economic viability; and
  - Businesses relying on such collected material – the collection of secure and steady volumes of certain materials - can be co-located in the recycling/reprocessing zone or hub.
- 3.10 There must be a degree of certainty about the economics of the infrastructure investment involved, particularly if the private sector is to be prepared to invest.

BusinessNZ **recommends** that:

- **The Government, with input from potential private sector providers, considers options to ensure appropriate infrastructure is in place to allow for greater recycling and re-use given that lacking appropriate infrastructure, expanding the levy to a wider set of landfills, together with any levy increase, will likely add cost but with no meaningful impact on the amount of waste going to landfill.**

#### **4.0 Appropriate use of waste levy funds raised**

- 4.1 BusinessNZ is pleased the Consultation Document specifically asks for feedback on the allocation of waste levy funds, particularly in relation to ensuring a more investment-related approach to the allocation of increased levy funding.
- 4.2 BusinessNZ has been concerned since the introduction of the Waste Minimisation Act 2008 that 50 percent of the waste levy is allocated to territorial authorities for waste minimisation purposes with the remaining 50 percent, minus administration costs, allocated to a contestable fund.
- 4.3 In BusinessNZ's view there has been little effective monitoring of either the allocation of monies to territorial authorities or to the contestable fund. Has the funding materially affected waste minimisation or has it achieved the objectives of the Waste Minimisation Act by reducing environmental harm and improving economic efficiency? There is a need to know.
- 4.4 Without appropriate controls on funding allocation, how the funding has been allocated might have had the undesirable effect of simply taxing greater amounts of waste going to landfills, including largely inert material, without addressing the so-called economic social and environmental effects of waste.
- 4.5 As stated earlier, BusinessNZ is pleased the Government has partially recognised the failings of current levy allocation, is looking at a levy investment plan and is providing an opportunity to comment on the plan's principles in this consultation round.
- 4.6 BusinessNZ broadly supports the proposed priority areas for investment outlined on page 40 of the Consultation Document and so has not commented on them here but would point out that a crucial omission from those areas and from the principles for investment is the waste levy payers themselves.
- 4.7 Over the centuries it has been generally accepted that there should be no taxation without representation, in other words, those who pay taxes should have a say in how the taxes are allocated.
- 4.8 There is a strong argument that those who pay, or are to pay, the lion's share of the waste levy should have some say in how the funds raised are allocated, particularly given a Government objective in proposing to raise and expand the waste levy is to reduce the amount of waste going to landfill. This suggests assistance should be offered to those principally responsible for landfill waste to enable them to reduce the amount of waste involved through the appropriate use of waste levy funds.
- 4.9 Currently, there is little or no relationship between those who must pay the waste levy and those who receive funding from the levy. Given the Government is proposing significant rises in both levy level and levy coverage (from around

\$36 million currently to around \$250 million by 2023), there is an even greater need than in the past for a better relationship between levy payers and levy recipients.

- 4.10 The danger is that raising and expanding the waste levy will simply turn it into another tax with little or no influence on waste minimisation. Tying a significant proportion of the waste levy collected to those largely responsible for producing the waste in the first place would make serious reductions in waste going to landfill more likely. Provided, of course, there is an ability to recycle and reuse products etc as proposed in the Consultation Document.

BusinessNZ **recommends** that:

- **Irrespective of whether the Government increases the waste levy and/or expands its coverage, all the levy (excluding any collection-associated costs) should go into a contestable fund.**

Without prejudice to the above recommendation:

BusinessNZ **recommends** that:

- **Major waste levy payers should have a significant input into the allocation of waste levy funds to maximise their potential to reduce current levels of waste going to landfill.**
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## **Appendix One - Background information on BusinessNZ**



[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).