

## Waste Levy History: Expanded Timeline

### 1974: Local Government Act

- The key statute for providing the regulation of waste in New Zealand:
  - Part 31 states that every territorial authority (TA) must adopt a waste management plan and that they are required to allocate the costs incurred in implementing this plan in accordance with section 544.
  - Section 544(1) says TAs must allocate costs in a way that will effectively and appropriately promote the plan's objectives.
  - Section 544(2) enables TAs to allocate these costs in a way that establish economic incentives and disincentives that promote any or all of the plan's objectives.
- **ISSUES:**
  - The power to impose economic instruments is constrained: these can only be used to allocate the costs incurred in the implementation of the waste management plan. They apply only within the district's boundaries, which can encourage "waste flight" to another district that has cheaper landfill charges
  - Where a levy seeks to do more than recover costs, it is a tax and is therefore not authorised by LGA 1974 or LGA 2002.
  - Economic instruments to manage waste can only be created at a national level for a very narrow category of waste (see entry on Hazardous Substances and New Organisms Act, 1996).
  - The legislation provides no provision for economic instruments, such as a product tax or container deposit scheme, to be applied at an early stage in the product life cycle.
  - There is a constitutional principle that statutory authorisation is required to impose any tax or charge.

### 1970-1990s Increasing privatisation of landfills

- Historically, almost every council operated its own landfill. However, due to new, more technically demanding environmental requirements and higher costs associated with solid waste management, most councils now contract the private sector to provide landfill facilities.
- **ISSUES:**
  - All four landfills in the Auckland region are now privately owned, yet local governments are still in the position of having to ensure that effective and reasonably priced solid

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waste management services are made available to their residents.

- If the private sector owns the country's landfills, then they will be required to fund these capital expenditures and return a profit to their stakeholders. Therefore any measure enacted to decrease waste stream would not fulfil these business objectives. The financial incentive to maximise waste disposal volumes cannot be ignored.

#### 1991: Resource Management Act

- States that one of the functions of the MfE is the "consideration and investigation of the use of economic instruments."
- Regional councils are mainly involved in managing the effects of waste hazardous substances when they are discharged to the environment.

#### 1996: Local Government Amendment (No.4) Act

- Enables TAs to design and apply a waste levy at the local level for local needs:
  - Part XXX1 states that "where the waste management plan so provides, the costs incurred in the plan's implementation may be allocated by the TA in a way that establishes economic incentives and disincentives that promote any or all of the objectives of the plan."
  - An amendment to Part 31 of LGA 1974 was made mandating TAs to develop a waste management plan and set out the power to impose bylaws for waste management including regulating the collection and transportation of waste and licensing of persons who collect or transport waste.
  - This amendment also provides councils with power to license waste management operators; however, these fees are limited by Section 150 of the LGA 2002 to reasonable cost recovery.

#### ISSUE:

- Section 544 of LGA 1974 act was never repealed so the councils were still constrained on how they could use these economic instruments.

#### Hazardous Substances and New Organisms Act (HSNO)

- Central government is able to use economic instruments to manage waste "hazardous substances" and waste "substances."

#### 1998: Christchurch City Council imposes a waste minimisation levy (WML)

- It first collected a waste minimisation fee on waste tipped at its own waste facilities in 1998 and introduced a Cleanfill

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Bylaw in 2004 to enable a waste levy to be applied to certain cleanfill wastes.

- In 2005 it introduced a Waste Facilities Bylaw allowing it to require privately managed waste facilities to collect a levy on the council's behalf.
- The revenue is designated for waste minimisation activities.

#### 1999 Waitakere City Council introduces waste bylaw 30-1999.

- Following the Local Government Amendment (No.4) Act, WCC introduced a bylaw to license every waste collection (and transport) contractor. This enabled the council to gather waste stream information not previously available to it.
- WCC also imposed a per tonne levy on private refuse collectors as to the cost of compliance.

#### · ISSUES:

- The licensing provisions have been limited to the collection of data on public collection services, and resistance from industry has meant that in some cases little useful information is provided.
- Without the ability to monitor the waste stream, the councils need to rely on commercial waste collectors to tell them what's being collected, many of which financially benefit from increased waste volumes and do not perform complete waste audits.
- The fees have been used to recover the costs associated with the licensed activities (e.g. cleaning up litter spillage from collection and transportation).

#### Waitakere City Council advocates "shared services" for Waste Management

- The council seeks to bring together Auckland's TAs to competitively tender their combined solid waste, thereby attempting to bring down the total cost for everyone.
- WCC released, "*Your waste, whose responsibility?*," in an attempt to challenge the commercial monopoly of the Auckland waste market.
- WCC recommended nationalising landfills or imposing a levy

#### General Election Year (Nov)

- New Minister of Environment: Simon Upton

#### MfE supports economic instruments for waste reduction

- Simon Upton, quoted on TVNZ's *Assignment* saying: "Why would you reduce waste if it costs nothing to generate it? The moment you get properly priced landfills operating across the country, then you can't avoid that price, then it becomes worthwhile seeking alternative solutions or

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reducing waste altogether. But I think just exhorting people to produce less waste in the absence of the final solution – that is, the cost of doing so – is going to be ineffective.”

#### 2000 Waste Minimisation and Management Working Group established

- Central and local government agree to work together to improve waste management and waste minimisation.
- Issued a report “*Towards a National Waste Minimisation Strategy*,” recommending that the levy be investigated as a joint local and central government action “as a means of funding regional and local waste minimisation initiatives”. This was linked to a further recommendation to apply the ‘user pays’ principle.
- This reflected the working group’s view that there was a role for both an additional penalty on waste disposal and an injection of funding for waste minimisation.
- Submissions were sought on that report and over 250 were received, many in favour of a waste levy. [Both Waitakere and North Shore City Council submitted in favour of a national levy although the latter noted that it should be collected locally. Rodney, without an elected council at the time, sent an officer’s submission in support of a levy.]

#### MfE commissions levy study by New Zealand Institute of Economic Research.

- Report is titled: “*A Landfill Levy: economic principles and implications of implementing and landfill levy*,” and prepared a draft discussion document.
- This draft document was completed in 2002 and while it has had wide informal distribution, it has not been officially released.

#### 2001 Treasury Tax Review

- Possibility of a levy or charge on solid waste disposal was briefly canvassed:
  - Concluded there was little need for a national levy or charge and that overall, “the environment’s impact of landfills appears to be satisfactorily addressed by existing environmental regulation and the allocation of responsibility for waste disposal to local government bodies.
  - The review, however, did state that “where...environmental concerns are highly localised, as they currently appear to be in NZ, measures such as carefully designed eco-charges applied at the local level represent potentially sound policy.

#### 2002 New Zealand Waste Strategy released (March)

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- A non-binding document produced by the Waste Minimisation and Management Working Group which sets out national objectives and targets for three priority areas (waste minimisation, hazardous waste and waste disposal), but has no legal status.
- Recognised that legislation dealing with waste was inadequate for meeting NZWS targets and goals:
  - States that "levies and other economic instruments can act as incentives to change behaviour, reduce resource use, and improve recovery and recycling rates when applied at national, regional, or local levels" and that "waste levy options and other economic instruments will be considered during strategy implementation" (pg 35).
  - Says that waste levy options at national and local levels and on specific wastes would be carried out in 2003, with a report to government being produced in 2003.
  - The only economic instrument that was considered in any depth was a national waste levy, but this was never pursued.
  - NZWS stated that a review was to be carried out by the MfE with local government and other government agencies in 2002, with a report presented in January 2003, yet this review was not undertaken.
- Waitakere City Council thought the national focus of NZWS did not consider regional issues, especially with the Auckland region being uniquely different to the rest of the country in that Auckland TAs do not own landfills and therefore are not in control of what goes in them.

#### **Local Government Act 2002**

- The National Waste Strategy whilst a well meaning document was largely a vision toward the future and was generously termed a 'strategy'
- License fees collected from persons who collect or transport waste are limited by Section 150 of the LGA 2002 to reasonable cost recovery.

#### **Parliamentary Commissioner for the Environment reports on economic instruments**

- Commissioner highlights increased prevalence of economic instruments, particularly environmental taxes, in other OECD countries' approaches to encourage more sustainable consumption and production patterns.
- Commissioner subsequently identified the investigation of environmental economic instruments as a priority area in his 2003-2007 strategic plan.

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### **LGNZ Metro Sector Group forms "Towards Zero Waste Working Group"**

- Formed by the LGNZ metro sector.
- WCC and NSCC Mayors named to coordinate the working party and report back on progress.
- Developed a research brief, "Towards Zero Waste: Investigation of known barriers to local government implementation of the NZ Waste Strategy," to determine what changes are required to local and/or national policy so that local government can achieve cost-effective waste minimisation in the context of its statutory responsibilities under Part XXXI of the LGA.
- The roles of local government and the private sector were investigated

### **Waitakere City Council visits OECD countries with waste levies**

- WCC visited local authorities in OECD countries (in Europe and North America) recognised for their success at using economic incentives and disincentives (levies) to reduce waste.

### **MfE's waste levy discussion document terminated (Dec)**

- A discussion, "A Waste Levy for New Zealand?," explored the issues. This document was never publicly released and work was terminated in 2002.
- The work involved in this paper and a legislative review were delayed due to a major restructuring and reprioritising exercise that has seen a sharper focus on some issues such as the Resource Management Act, Hazard Substances and New Organisms Act, the development of standards and the action plan on water.
- One consequence of this reprioritising is an expectation that local government will play a more prominent role in leading work relating to waste management planning, a role that the Metro Sector Waste Working Group has stepped into (see entry above).
- Following the report, MfE states they prefer to use voluntary agreements with industry, partnerships, and best-practice guidance in preference to any other type of policy tool (or combination of tools) such as regulation, economic instruments, or both.
- Ministry believes that current statutory provisions are satisfactory in terms of managing and minimising waste and that the legislation is open to the creation of economic instruments (e.g. see entry on Resource Management Act 1991)
- Ministry does not believe there is an automatic linkage between legislation and the introduction of economic

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instruments.

- While the document addresses both the revenue generating and behaviour modifying objectives for a levy, MfE gives emphasis to the latter objective.

#### **WCC & NSCC discuss how to share waste management services**

- While planning the launch of the Waitemata Harbour Clean-up Trust, a joint initiative that seeks to remove litter from the harbour, the mayors discuss other ways that the cities could jointly work toward "Zero Waste." nationally

#### **General Election (27 July)**

- New Minister of Environment: Marion Hobbs
- New Minister for Local Government: Chris Carter

#### **MfE invites Metro Sector Group (MSG) of Councils to submit remit**

- Minister Hobbs suggests MSG uses the remit process to get clarity on the LGA and TA's abilities to impose local levies.
- The councils draft the remit.

#### **2003 First review of NZWS**

- MfE concluded that there should be no change made to NZWS targets at this time, although they acknowledged that some targets were unlikely to be achieved nationally.

#### **2004 Waitakere, North Shore, and Rodney District Councils agree to shared services**

- The three TAs form the "Northern Sector Group" (NSG) sign a memorandum of understanding to pursue a cooperative approach to waste policy work, specifically in relation to waste management plans, waste bylaws and regulatory functions.
- These councils have already implemented user charges for kerbside collection services in their respective territories. Auckland City Council does not have a user-pays system decides not to join the consortium.
- NSG agree to collaborate on a solid waste bylaw that will give power to implement waste operator licensing, to collect a resource efficiency waste levy, and other statutory matters using WCC bylaw 30 as a foundation.

#### **North Sector Group of Councils draft Waste Bylaw**

- The three councils collectively reviewed their waste bylaws to include systematic and reliable processes that would enable them to obtain sufficient reliable information, set and monitor targets, change the behaviour of waste producers and encourage waste minimisation.

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- The bylaws set out key requirements of a licence, including the provision of a waste levy.

#### **North Shore City Council (NSCC) submit remit to LGNZ AGM (July)**

- WCC and NSCC submit remit on behalf of NSG.
- The remit seeks to clarify, reinforce and refresh the mandate the LGA provides for the imposition of levies and would have the effect of reducing, if not eliminating, the possibility of challenge under the Commerce Act (thereby discouraging commercial waste interests from attempting to block the imposition of waste levies.
- The remit requested a ruling from the Commerce Commission that exempts local levies and associated legislation from restrictive trade violations.
- Remit has three sections and is consistent with NZWS objectives:
  - Section 2 states that the economic incentives and disincentives proposed in LGA **may include levies** that promote any or all of the objectives of the TA's waste minimisation plan.
  - Section 3 states that TAs may impose waste levies based on refuse type on licensed operators of waste facilities and refuse collectors for the funding of waste minimisation initiatives.
- The councils consider the remit to be the most cost-effective and expeditious way of clarifying central government's intention that TAs have the right to regulate all waste in their area, and that such regulation be consistent with NZWS objectives.
- NSG wanted to submit the remit at the LGNZ Metro Sector Group meeting on 27 Apr 04, but LGNZ suggested NSG wait until the LGNZ Annual General Meeting in July.
- At the AGM, the remit was passed unanimous support from the Metro Sector Councils.
- LGNZ told NSG that it would take approximately two months to obtain an outcome.
- NSCC and WCC also seek central government support on this.

#### **Green Party proposes Waste Minimisation and Management Bill to WCC**

- The Bill centres on establishing a Waste Authority whose over-riding function would be to encourage, support and promote the minimisation of waste and a reduction in the use of material resources.
- Landfill levies were proposed as one of the ways of achieving this.
- WCC review the bill and make a submission, emphasising its preference for a regional levy and that the funds

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collected be used to fund waste minimisation activities (as per the council's waste minimisation plan). WCC also recommended the rates that levy should be set at (starting at \$10/tonne and rising incrementally by \$10/tonne until it reached \$30/tonne, with any increases beyond that subject to a report assessing impact to date).

#### **Managing Director of Waste Management threatens to block levy**

- *NZ Herald* article quotes Kim Ellis as saying, "The combination of the levy with the proposed new bylaws presents a potential threat and we need to deal with it in any way we can on a legal and political front."

#### **2005 Waitakere and North Shore Mayors write LGNZ for not progressing remit (Feb)**

- Delays have the potential to significantly affect the three NSG councils' development of the shared waste bylaw, incorporating licensing and levy provisions, scheduled for consultation in March.
- Delays permit waste industry to potentially challenge any levy fund provisions
- NSG fear the delay is caused by the a fear of industry backlash (refer to Waste Management NZ Herald quote 2004)
- Councils continue to stress the importance of adopting the remit earlier to prevent the waste industry's attempts to derail the waste bylaw, and in particular its licensing and waste levy provisions.

#### **Local Government Law Reform Bill planning (for 2005-2006)**

- Submission drafted by WCC seeking to clarify conflicting provisions of the LGA to remove any doubt.
- WCC were advised by Department of Internal Affairs(DIA) that levy under a bylaw was appropriate.

#### **Waitakere and North Shore cities commission shared waste collection contract (May)**

- Waitakere and North Shore City Councils are make local government and business history by commissioning the country's largest ever waste collection contract and by proposing a waste bylaw aimed at reducing the region's rubbish.
- The councils build a new recycling sorting facility at WCC's transfer station. Together with the existing refuse transfer station, the new sorting facility enables the cities to closely audit the entire waste stream, thereby forming an accurate picture of what approximately 378,100 people - almost 10% of the New Zealand's population - discard every month.

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**WCC, RDC & NSCC pass new Waste Bylaw: levies included**

- The councils join forces to formally address all aspects of the region's waste, including collection and disposal, "scavenging" of inorganic rubbish, the distribution of unsolicited mail, waste management facilities and waste collection operations. Levies are included in the bylaw.
- Anyone involved in waste collection, transportation and disposal will be required to obtain a license. The councils will enter into consultation early 2006 to determine what levies may be required.
- The main objective of the bylaw is to standardise the City's waste management activities and support a number of national waste initiatives and central government legislation, which include the NZWS, "Zero Waste" policies, the Litter Act, Health Act, and Local Government Act.
- The changes replace the Councils' existing waste bylaw, which they had a statutory obligation to review by 2008.
- A report published from the Ministry Environment's senior advisor of sustainable industry, Chris Purchase, states that councils should own or control disposal facilities if they want to succeed with introducing incentives like waste levies. Mr Purchase writes: "where a territorial authority retains ownership or control of disposal facilities, waste levies following the Christchurch model would seem effective."

**WCC & NSCC introduce wheelie bins for recycling (July)**

- The recycling contract is part of a joint "shared services" initiative between North Shore and Waitakere, which have contracted Onyx Group to provide refuse and recycling services to both cities.
- The aim is to reduce waste and encourage people to recycle more, but the councils have also identified significant savings by sharing these services. The two councils are the first in New Zealand to implement fortnightly recycling collections from 140 litre mobile bins.
- Other cities in Australia and Canada have been successfully using the bins to increase recycling activity for several years.

**Minister of Local Government applauds NSG's joint waste bylaw (July)**

- Chris Carter writes WCC Mayor Bob Harvey a letter saying: "I am pleased to hear of the joint work between your council and those of North Shore City and Rodney District to develop your new waste bylaw. I believe that such collaborative approaches offer many opportunities for local government to achieve effective and efficient outcomes."
- In the letter Carter indicates that the Local Government Law

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Reform Bill, planned for 2006 is the most appropriate forum for the remit.

#### **Regional Waste Levy proposed at Auckland CEOs Forum (Dec)**

- Auckland Regions Council CEOs consider a proposal for a regional waste levy to be imposed through their waste bylaws, to be administered by a regional funding agency.
- Councils around the country say they favour a regional-based levy over a national one as it is recognised that each region is different, with its own waste issues. Councils do not want to subsidise other regions and want to be in charge of their own waste minimisation initiatives outlined in their respective waste minimisation plans.
- Regional levies also offer benefits in terms of "waste flight," and the ability to better fund regional waste minimisation initiatives.

#### **Waste Management and Carter Holt Harvey challenge levy**

- These listed companies seek a judicial review of the joint NSG bylaw on the grounds that the bylaws are invalid because councils do not have the statutory power to impose a levy to recover more than the cost of administering any licensing activity.
- They believe that the initial design and subsequent management of a national system is more likely to be professionally developed and narrowly prescribed over a regional one.
- They say that a regional levy will be more costly to them as they will need to report on, and collect separate information city by city.

#### **North Sector Group Councils meet with MfE Minister Marian Hobbs (June)**

- WCC Mayor Bob Harvey explains that the councils are trying to follow NZWS and that there are issues unique to the Auckland region.
- WCC officers say that Councils need to know waste stream volumes and type, to understand waste flows in their respective districts.
- **ISSUE:**
  - MfE indicated that national levies were not being considered, despite the fact NZWS states they would be, despite the fact that minutes from a meeting at ARC headquarters held during the launch of NZWS state that national waste levies were there for consideration and may be introduced in 2004 (but they never made it to the table).

#### **General Election (17 Sept)**

- New Minister of Environment: David Benson-Pope

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- New Minister for Local Government: Mark Burton

### 2006 High Court quashes waste levies (Feb)

- Levy ruled illegal on the grounds they are not authorised by the LGA 1974 or the LGA 2002.
- The High Court has held that where a levy seeks to do more than recover costs, it is a tax and is therefore not authorised by LGA 1974 or LGA 2002.
- Christchurch City Council are forced to repay levies collected from their bylaw and can no longer collect its \$3m/annum under this forum.

### MfE stalls remit (Feb)

- MfE advises DIA that it may be premature to include the remit in the Local Government Reform Bill. It appeared that respective ministry officials statements and actions did not appear consistent with those of Ministers.

### MfE issues rapid review of levy issues (March)

- In December 2005, the Ministry for the Environment commissioned the report: "*Issues Associated with a Levy on Solid Waste – A Review of Positions and Possibilities*," to identify and assess the arguments advanced by councils in favour of local/regional waste levies and the views of councils on the idea of a national waste levy.
- This report was authored by Martin Ward, a former member of MfE's waste working party responsible for the NWS. Mr Ward was on record as stating his distain for compulsory waste levies.
- Report states that TAs want control over the fund raised by a levy and that large industry players are concerned that a local government operated system will follow local political and administrative agendas to use the money for a wider range of waste-related and even non-waste activities and to garner more money over time.
- The report says that if the Green Party Waste Minimisation Bill was drawn from the ballot in the next few months, "it would provide both a rallying point for debate on the issue and an opportunity for the government to act. As a rallying point for national levy supporters it may extend the current "coalition" of business supporters for action.

### Metro Sector Group proposes new waste working group (March)

- LG Minister Mark Burton attends LGNZ metro sector.

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Minister advises MSG that (WCC submission to) LGRB still being considered and should await outcome. Minister is publically advised that MfE stated submission was rejected. Minister promises immediate action.

- Within one week of Metro Sector meeting MfE offers to bring together a working party comprising staff members from Private Industry, DIA, LGNZ and Council officers to further investigate the waste levy issue, including reviewing the opportunity for a national/regional based waste levy.

#### **New Waste Working Group considers waste levy**

- Includes members from TAs, the waste industry, LGNZ and MfE and purpose is to come up with a practical and workable means of implementing a waste levy system on a nationwide basis.
- WCC concerned they were only TLA invited and includes ChCh and consultant working for other Ak TLA's. Progressively includes other TLA's in working party to achieve balance.
- Council members advocate that the best means of achieving waste reduction and the creation of an economic disincentive as contemplated by local government legislation is to impose a waste levy on those responsible for the generation and promotion of waste.
- WCC say that the levy is required to invoke behavioural change and that funds will be spent on the initiatives outlined in the council's waste minimisation plan, which is a publicly consulted document which includes industry submissions.

#### **Ministry drafts proposed waste levy (Apr)**

- MfE seeks feedback from wider NZ industry

#### **Minister for the Environment meets with LGNZ and TAs,**

- Minister confirmed his desire for any levy to be nationally consistent.
- Minister confirmed his preference for there to be general agreement between councils and industry, which could then be taken by the Minister to cabinet.
- The Minister suggested acceleration of discussions with industry and also mooted the possibility of dealing with the waste levy by way of regulation, and that the legislative programme was already quite full.
- Minister advises that if TLA's and industry agree on levy framework then Minister will find the legislative vehicle to deliver it.

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**LGNZ provides feedback on waste levies (June)**

- Report titled "Local authority feedback on waste levies," received by LGNZ June 2006).
- Feedback was received on behalf of 46 councils and while some councils support the principle of a national waste levy, most have suggested an approach which differs from that in the draft MfE proposal.
- Very few councils support the draft proposal in its current form as the most preferred option to reduce waste to landfill.
- Options for a regional approach are recommended for further investigation.
- NSG acknowledge that the draft proposal reflects a compromise rather than preferred position, with the preferred position being a nationally consistent, but regionally administered levy.
- LGNZ misplaced 8 submissions from District Councils.

**Greens Waste Minimisation and Solids Private Members Bill drawn from ballot.**

- NSG and ChCh officers meeting with Nandor Tanczos to discuss areas of common ground between Greens PMB and Waste Levy proposal.

**TAs and industry members coordinate submissions to Green's Waste Bill (July)**

- The working group, comprised of TAs and industry members, make a collective submission to MfE demonstrating the level of support for the current proposal.
- (Refer to Greens Party Bill proposal in 2004)

**Parliamentary Commissioner for the Environment releases report on economic instruments in the management of waste (12 July)**

- The report supports NSG's concerns and questions MfE's lack of progress on advancing NZWS objectives
- Commissioner also questions MfE's involvement in industry issues & concerns (e.g. implying that is part of the Ministry of Economic Development's portfolio).
- The report concludes that economic instruments can be effective in reducing waste and that they have not been used to their full potential in NZ (and that there are legislative barriers to using them). He says such economic instruments are most efficiently and effectively applied on a national basis by central government.
- Report says central government needs to provide more guidance on the design and implementation of a wider range of economic instruments to encourage greater

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responsibility of waste at all stages of a product's lifecycle.

#### 2007 Prime Minister's address to parliament supports levy (Feb)

- Helen Clark's annual statement to Parliament, which sets out the priorities for the year ahead, is supportive of the waste levy. She states:
- "We will continue to work with the Green Party on refinements to the Waste Minimisation (Solids) Bill which is currently before Parliament. We want effective legislation for some form of waste levy to help fund better waste minimisation infrastructure."
- "Product stewardship will also be improved by measures in that legislation. While voluntary initiatives have been useful, some form of regulatory backup will be necessary for the environmental impacts of manufactured products to be minimised as much as possible."
- "Overall the government has a huge and credible work programme this year to improve New Zealand's environmental sustainability credentials and move our country towards the vision of carbon neutrality."

#### Working Group presents waste levy proposal to select committee

- The proposal was prepared by a group of representatives of local government and the waste disposal and recycling industries as convened by the MfE.
- The proposal does not present a shared view of these parties, rather it includes submissions of the varying views in one document.
- The proposal is to introduce a levy on all solid waste going to disposal facilities.
- Proposal includes the legislative provisions that would need to be made to officiate the levy.
- submission, emphasises preference for a national levy and that the funds collected be used to fund waste minimisation activities. Levy to be set, starting at \$10/tonne and rising incrementally by \$10/tonne until it reached \$30/tonne, with any increases beyond that subject to a report assessing impact to date.

#### WCC submits waste level proposal to select committee (26 Apr)

- Proposal emphasises the rationale for a regional waste levy.
- The levy proposed by Waitakere City Council (WCC) seeks to use the costs recovered by the levy to implement waste minimisation initiatives outlined in its waste minimisation plan as well as implement initiatives that will benefit the "North Sector" region of Auckland, which includes North Shore City and Rodney District.

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- submission, emphasises preference for a national levy, administered regionally and that the funds collected be used to fund waste minimisation activities. Levy to be set, starting at \$10/tonne and rising incrementally by \$10/tonne until it reached \$30/tonne, with any increases beyond that subject to a report assessing impact to date.

### **Select Committee requests TA submission on Container Deposit Legislation (27 Apr)**

- TAs prepare submission on CDL as part of the Part 6 Extended Producer Responsibility provisions of the Waste Minimisation Bill.

### **Officer of Auditor General releases report to Parliament on Councils progress with their Waste Management Plans.**

WCC makes further submissions to Environmental Select Committee  
Dated: 3 May 2007

### *Supplementary Submission from Councils in Response to Select Committee invitation –Re: Container Deposit Legislation*

#### INTRODUCTION

Waitakere City Council, North Shore City Council and Auckland Regional Council presented oral and written submissions to the Select Committee hearing on the Waste Minimisation Bill on 26 April 2007. Pursuant to those oral submissions the Select Committee invited Councils to provide a further supplementary submission on Container Deposit legislation to be considered in light of Part 6 – Extended Producer Responsibility of the Bill.

#### COUNCIL SUPPORT FOR REVIEW OF CONTAINER DEPOSIT LEGISLATION

Waitakere City Council has liaised with the greater Auckland Councils to ascertain their support for further consideration of Container Deposit Legislation.

To date two contrasting reports have been provided in respect of the issue of Container Deposit Legislation. These reports are:

Envision New Zealand Limited Report: *“The incentive to recycle – a container deposit system for New Zealand”* produced by Envision New Zealand Ltd with support from District, City and Regional Councils throughout New Zealand.

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Covec Limited Report – *“Impacts of the Waste Minimisation (Solids) Bill”* prepared for the Packaging Council of New Zealand dated October 2006.

The Councils listed below request a detailed independent review of the above named reports produced by Envision Limited and Covec Limited be carried out at a national level by the Parliamentary Commissioner for the Environment. (“PCE”)

Councils also submit that this independent review by PCE should establish how much similar systems actually cost by reference to international best practice and should also provide a New Zealand relevant cost benefit analysis. Some independent work would also be required to establish the most viable system for New Zealand to redeem containers in the presence of CDL

The Councils in support of this further review and their position on Container Deposit Legislation are as follows:

Waitakere City Council fully supports the introduction of Container Deposit Legislation and independent review by PCE of the contrasting reports and cost benefit analysis.

Rodney District Council supports the introduction of Container Deposit Legislation and an independent review by PCE of the contrasting reports and cost benefit analysis.

Auckland City Council supports the introduction of Container Deposit Legislation and an independent review of the contrasting reports and cost benefit analysis.

North Shore City Council fully supports an independent review by PCE of the contrasting reports and cost benefit analysis.

Manukau City Council supports an independent review by PCE of the contrasting reports and cost benefit analysis.

Papakura District Council supports an independent review by PCE of the contrasting reports and cost benefit analysis.

Franklin District Council supports in principle an independent review by PCE of the contrasting reports and cost benefit analysis.

Auckland Regional Council is unable to comment at this stage but refers to its previous written submission and the further written submission provided at the Select Committee hearing on 26 April 2007.

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- Auckland Regional Council submits further submission in support following council resolution

WCC makes further submissions on CDL and observations to Environmental Select Committee on findings of Auditor General's report.  
Dated: 3 May 2007

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### INTRODUCTION

Waitakere City Council, North Shore City Council and Auckland Regional Council presented oral and written submissions to the Select Committee hearing on the Waste Minimisation Bill on 26 April 2007. Following those oral submissions the Select Committee invited councils to provide a further supplementary submission on Container Deposit legislation to be considered in light of Part 6 – Extended Producer Responsibility of the Bill.

Pursuant to the Select Committee's request a number of councils have provided further supplementary submissions seeking an independent review by the Parliamentary Commissioner for the Environment of two reports on Container Deposit legislation produced by Envision Limited and Covec Limited. The councils in support are Waitakere City Council, Rodney District Council, Auckland City Council, North Shore City Council, Manukau City Council, Papakura District Council and Franklin District Council.

Waitakere City Council relies on the Select Committee's invitation to provide this further submission.

### POTENTIAL EFFECT OF CONTAINER DEPOSIT LEGISLATION ON COUNCILS

Waitakere City Council understands that concerns have been raised by members of the Select Committee as to the potential detrimental impact Container Deposit legislation could have on councils.

Waitakere City Council submits that Container Deposit legislation is unlikely to have a detrimental effect on councils and in fact councils should benefit substantially both financially and from an environmental perspective from the introduction of such legislation.

### WHERE COUNCIL OWNS CONTAINER PRODUCTS AFTER COLLECTION

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Councils will receive substantial financial benefits where they maintain ownership over the container products after kerbside collection. In support Council refers to Table 7 at page 49 of the Envision New Zealand Limited report entitled "*The Incentive to Recycle a Container Deposit System for New Zealand*" and in particular:

*"As well as direct savings in kerbside recycling costs, there will be additional savings to councils and collectors through reduced operational costs of kerbside collections. The Covec report correctly states that "We assume efficiency benefits associated with reduction in volumes collected; a halving in volume is assumed to improve efficiency by 1.5, i.e. it increases the number of houses that can be visited by 50%."*

#### WHERE COUNCIL DOESN'T OWN PRODUCT AFTER COLLECTION

There tend to be two systems in place where councils might not own the container product after collection. This lack of ownership results from the collection of recyclables by way of commercial contract between councils and waste collection contractors.

The first is a relatively new provision where councils pay a per tonne rate to the recycling collection contractor for these services. In this instance councils still benefit financially as they will likely pay less money per tonne because a substantial amount of the container product has already been recycled and removed from the recyclable waste stream and redeemed pursuant to the Container Deposit legislation.

The second is the more standard arrangement, and in our opinion the least preferred system where councils pay per property to the waste collection contractor and in most cases regardless of whether the residents use the service or not. Waitakere City Council submits that the per property rate example is not the most equitable means of paying and should not be used by local government in any event.

Waitakere City Council also notes that councils' lack of ownership need not be a permanent state of affairs. In the event that Container Deposit legislation works successfully as it is anticipated it will, councils will have the further opportunity to reassess their position and themselves undertake kerbside recycling following expiration of their existing private collection contracts. Indeed, many of these existing contracts are likely to expire prior to any introduction of Container Deposit legislation.

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## WASTE REPORTING

Irrespective of the systems adopted, Waitakere City Council submits it is imperative that any information in relation to containers that may be subject to Container Deposit legislation must be reported. For this reason the Waste Minimisation Bill should include a requirement that containers be included in any reporting on recyclable waste within Council territories. This is necessary to ensure councils and government receive information on the entire waste stream being generated.

## ENVIRONMENTAL BENEFITS

Waitakere City Council submits that Container Deposit legislation under Part 6 of the Bill essentially encourages recycling and will inevitably lead to the reduction of waste. Accordingly there will be a strong environmental benefit flowing from the reduction of waste.

## ADDITIONAL COMMENTARY IN RESPONSE TO AUDITOR GENERAL'S REPORT: WASTE MANAGEMENT PLANNING BY TERRITORIAL AUTHORITIES DATED 19 APRIL 2007-

Waitakere City Council also wishes to comment on the above named report, which has only just been publicly released and was not available to be commented at the time submissions were due. Waitakere City Council believes that this further commentary will be of some assistance to the Select Committee in the context of councils' obligations and rights under the current local government legislation and the proposed Waste Minimisation Bill.

The Auditor-General's report appears to anticipate that a sufficient level of control in the waste collection market is afforded to councils to allow them to achieve a satisfactory level of waste reduction. If this was their assumption then it is not in fact correct. While councils are charged with general statutory obligations to manage and reduce waste within their territorial boundaries they are not given any specific legislative power to fund or implement financial incentives to assist them in carrying out these onerous obligations. This was exemplified by Waitakere City, North Shore City and Rodney District Councils' lack of success in the High Court in 2006 to rely on their regional waste bylaw's waste levy.

A major obstacle in councils attempting to effect the waste reduction provisions of both the local government legislation and the Waste

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Minimisation Bill is the ability of private sector industry to aggressively under price councils' kerbside waste collection services. These collection services are usually financially incentivised by councils to influence waste behaviour but under the present system, private collectors can effectively undermine any attempt by councils to influence waste behaviour at this level. While councils are under statutory obligations to reduce waste, private industry is not and in fact private industry ultimately profits from waste generation, in terms of collection from the kerbside and disposal at privately owned facilities.

Waitakere City Council comments that this anomaly should be a consideration within the scope of the Select Committee and Waste Minimisation Bill. Councils currently make provision in their respective Waste Management Plans and Funding Policies whether or not to user fund kerbside waste collection services. Waitakere City Council suggests that where councils have implemented user funding of waste collection services as a method of waste reduction then councils should be given exclusivity in the implementation and operation of kerbside waste collections. This type of exclusivity for kerbside waste collections will also enable councils to focus on proper waste reduction incentives and behaviour and will further limit the amount of litter and inconvenience caused by numerous private kerbside waste collection activities.

The Local Government Act 1974 s544(2) provides:

*Where the waste management plan so provides, the costs incurred in the implementation of the plan may be allocated by the territorial authority in a way that establishes economic incentives and disincentives that promote any or all of the objectives of the plan*

The only opportunity most councils have to provide economic incentives and disincentives as contemplated by s544(2) is by way of user pays waste collection services. Further, by allowing councils to exclusively undertake user funded kerbside collection the councils will be able to allocate the funds/profits derived from those services toward the implementation of other waste minimisation and reduction initiatives which are set out in their Waste Management Plans.

Waitakere City Council proposes that any additional council profits

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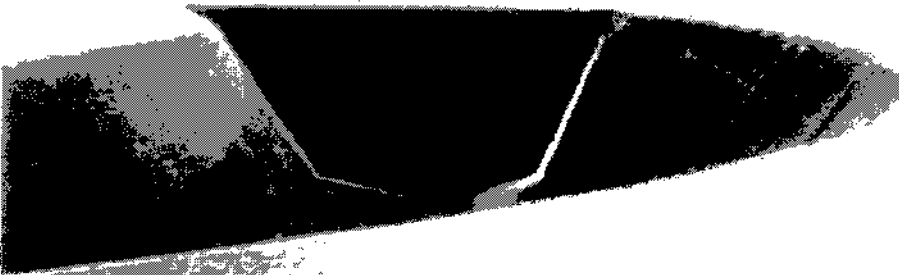
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derived as a result of councils' exclusive ability to carry out user funded kerbside waste collections should then be used by councils to fund other waste reduction and waste minimisation initiatives set out in their Waste Management Plans. In terms of the Waste Minimisation Bill and in particular the waste levy this means that a lesser amount of waste levy funds allocated to councils will need to be claimed to fund council kerbside waste collection services and instead can be used for other more innovative waste reduction and waste minimisation initiatives.

It is further noted that at present (and in particular in respect of the greater Auckland Councils' experience) councils have very little if any power to influence waste generation and waste collection behaviour when private collection and private disposal of waste occurs.

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**WATERCARE SERVICES LIMITED**  
**STATEMENT OF CORPORATE INTENT**  
for the three year period commencing 1 July 2007



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# Watercare Services Limited

## STATEMENT OF CORPORATE INTENT

FOR THE THREE YEAR PERIOD COMMENCING 1 JULY 2007

### 1. INTRODUCTION

Watercare Services Limited (Watercare) is required to prepare and deliver to its shareholders, no later than 30 June in each year, a Statement of Corporate Intent (SCI) for the three year period commencing 1 July.

The SCI is the public and legislative expression of Watercare's accountability to its shareholders. It is the contract between Watercare's Board of Directors and its shareholders, and it is against this document that the Board reports to the shareholders and is held accountable. The SCI identifies the nature of Watercare's business and its strategic and operational issues. It sets the expectations of Watercare by the shareholders, and provides a tangible record of Watercare's performance by setting performance targets against which the Company must report.

### 2. BUSINESS PURPOSE

#### 2.1 Vision Statement

*Watercare's vision is to be the most efficient water and wastewater utility in Australasia whilst meeting industry best practice. We will provide high quality water and wastewater services in the most cost effective way. Within our core business we want to stretch our capabilities and competencies to achieve leading practices in utility operations.*

#### 2.2 Mission Statement

To provide water and wastewater services that are economically viable, environmentally sound, socially responsible and responsive to customer needs, thereby enhancing the services of the company to all people across the Auckland region.

#### 2.3 Values

The core values of the Company, as embodied in the mission statement, are the guiding principles for all its activities and behaviour. They are the key drivers for the organisational culture of Watercare and can be summarised as:

- Economic viability
- Sustainability
- Social responsibility
- Responsiveness to customers

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## 2.4 Commitment to Sustainability

Watercare recognises it has responsibilities, as a corporation, which go beyond its specific legislative requirement of managing "...its business efficiently with a view to maintaining prices ...at minimum levels consistent with the effective conduct of that business and the maintenance of the long term integrity of its assets."

Wherever practical Watercare tries to minimise the deleterious effects of its operations and looks to contribute to enhancing the environment in which Aucklanders live.

Watercare has six sustainability policies to support our core values;

- *ENVIRONMENTAL CARE*: To minimise the adverse impact of the company's operations on the environment.
- *EMPLOYEES HEALTH and SAFETY*: To be an industry best workplace.
- *STAKEHOLDER RELATIONSHIPS*: To be responsive to stakeholder requirements.
- *CUSTOMER SERVICE COMMITMENT*: To provide high quality products and meet customer service level requirements.
- *ASSET MANAGEMENT*: To manage and maintain the long-term integrity of it's assets.
- *ECONOMIC PERFORMANCE*: To manage the business efficiently at minimum prices.

Watercare's commitment to sustainable business practice requires high levels of disclosure of plans, practices and operations. Also, Watercare's position as a monopoly service provider in the Auckland region obliges the company to retain stakeholders' confidence that it is performing optimally.

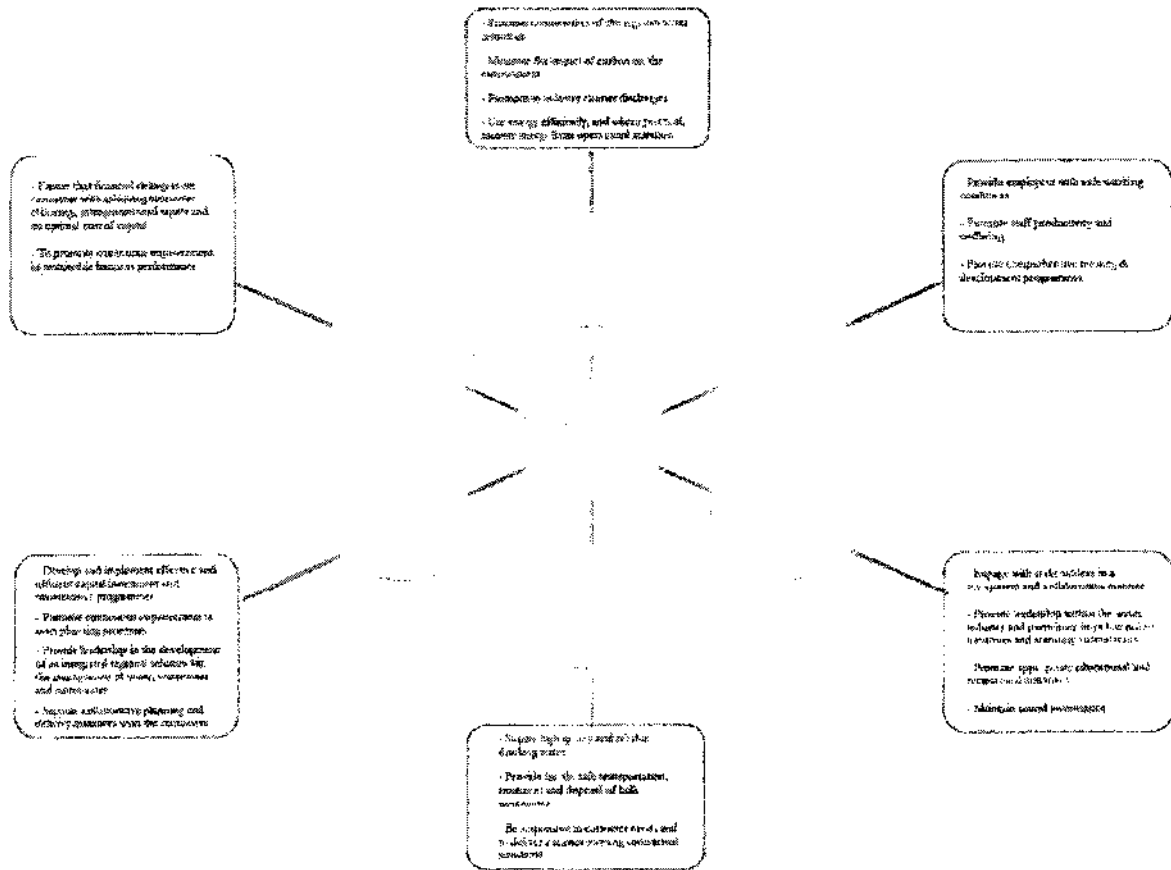
Each year Watercare publishes an Asset Management Plan to ensure the region's water and wastewater needs are met in a timely and cost-effective manner and support regional growth and planning strategies.

Watercare publicly reports achievement against a comprehensive set of objectives each year in its Annual Report. A range of 'sustainability performance rulers' are used to provide a measure to compare current performance against prior years, and to assess improvement against objectives.

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### 3. WATERCARE'S STRATEGIC PERFORMANCE OBJECTIVES

At a strategic level there are a number of performance objectives that the Shareholders Representative Group require Watercare to report performance against on a quarterly basis. These have been aligned to the sustainability policies and are detailed below.



Sustainability Policy	Strategic Performance Objective	Performance Measure <i>Strategic initiatives and tactical targets</i>
<i>ENVIRONMENTAL CARE: To minimise the adverse impact of the company's operations on the environment</i>	<ol style="list-style-type: none"> <li>To promote conservation of the region's water resources.</li> <li>To promote to industry cleaner discharges</li> </ol>	<ul style="list-style-type: none"> <li>To develop and implement a range of demand management initiatives by 30 June 2008.</li> <li>To achieve a 'Bb' grade as set-out in the 2003 NZ/WA guidelines for the safe application of biosolids to land.</li> </ul>

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	<p>3. To minimise the impact of carbon on the environment.</p> <p>4. To use energy efficiently and where appropriate recover energy from operational activities.</p>	<ul style="list-style-type: none"> <li>- To achieve a 50% CO<sub>2</sub> equivalent reduction from 1990 levels.</li> <li>- To target 35% of energy needs sourced internally.</li> </ul>
<p><i>EMPLOYEES HEALTH and SAFETY:</i> To be an industry best workplace.</p>	<p>5. To promote staff productivity and wellbeing.</p> <p>6. To provide comprehensive training and development programmes.</p> <p>7. To provide employees with safe working conditions.</p>	<ul style="list-style-type: none"> <li>- To attain a LTIFR of less than or equal to 12</li> <li>- To target an unplanned absenteeism rate of 2.5%</li> <li>- To target over 20 training hours per employee.</li> <li>- To target a ratio of 2.25 of external to internal appointments</li> <li>- To maintain the tertiary level ACC workplace management practices accreditation.</li> </ul>
<p><i>STAKEHOLDER RELATIONSHIPS:</i> To be responsive to stakeholder requirements.</p>	<p>8. To engage with stakeholders in a transparent and collaborative manner including the company's Maori and Environmental Advisory Groups.</p> <p>9. To provide leadership within the water industry and participate in public policy initiatives and statutory submissions.</p> <p>10. To promote appropriate educational and recreational</p>	<ul style="list-style-type: none"> <li>- To consult with all appropriate stakeholders in regard to key infrastructure projects.</li> <li>- To obtain annual feedback from the company's Advisory Groups on the consultation process.</li> <li>- To report on the number of policy initiatives and key submissions made per annum.</li> <li>- To continue with the Rain Forest Express and the 'Adopt a Stream'</li> </ul>

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	<p>initiatives.</p> <p>11. To maintain sound governance</p>	<p>programmes.</p> <p>- Annual director performance reviews</p>
<p><b>CUSTOMER SERVICE COMMITMENT:</b></p> <p>To provide high quality products and meet customer service level requirements.</p>	<p>12. To supply high quality and reliable drinking water</p> <p>13. To provide for the safe transportation, treatment and disposal of bulk wastewater.</p> <p>14. To be responsive to customer needs and to deliver a service meeting contractual standards.</p>	<p>- To maintain the public health grading of water treatment and networks of 'Aa'.</p> <p>- To meet the 1:200 yield standard</p> <p>- To target less than or equal to six dry weather sewer overflows per annum.</p> <p>- To achieve 100% compliance with the customer contracts.</p> <p>- To achieve 90% or greater of customers that rate Watercare as 'very good' or 'excellent' using the annual satisfaction survey.</p>
<p><b>ASSET MANAGEMENT:</b></p> <p>To manage and maintain the long-term integrity of assets.</p>	<p>15. To provide leadership in the development of an integrated regional solution for the management of water, wastewater and stormwater.</p> <p>16. To promote continuous improvement in asset planning processes.</p> <p>17. To develop and implement effective and efficient capital investment and maintenance programmes.</p>	<p>- To continue to lead the three-waters project and engage with the customers on regional planning.</p> <p>- To achieve 70% overall performance in the WSAA asset management benchmarking.</p> <p>- To ensure that capital projects have robust business cases and are delivered to plan.</p> <p>- To continue with the implementation of the reliability centred maintenance (RCM) system.</p>

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	18. To support collaborative planning and delivery initiatives with the customers.	
<p><i>ECONOMIC PERFORMANCE:</i> To manage the business efficiently at minimum prices and to operate on a least-cost philosophy subject to fulfilling other environmental, social and legislative requirements.</p>	<p>19. To ensure that financial strategies are consistent with achieving economic efficiency, intergenerational equity and an optimal cost of capital.</p> <p>20. To promote continuous improvement in sustainable business performance.</p>	<ul style="list-style-type: none"> <li>- To target an 'A' credit rating from Standard &amp; Poor's.</li> <li>- To achieve within a three year period, and then to maintain, a funds flow from operations to interest cover of 3.5 times before any price adjustments. (on a S&amp;P calculated basis)</li> <li>- To develop and seek to include a defined and enduring revenue setting methodology within the 2008 customer contracts.</li> <li>- To continue to use the Project Improve initiative as the vehicle to deliver continuous improvement in business performance.</li> </ul>

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