



**ACOR**  
AUSTRALIAN COUNCIL  
OF RECYCLING

# VICTORIAN LANDFILL LEVY REPORT

April 2017

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## I. Executive Summary

Victoria is falling behind other jurisdiction in Australia when it comes to the development and investment in the waste and resource recovery industry. The recycling sector is being taxed to prop up the Victoria state budget. According to the State Budget Report 2016-17, there is a surplus of \$2.9 billion, approximately 20% of which comes from the Sustainability Fund, or the monies collected from landfill levy.

Approximately, \$500 million is forecast to be sitting idle in the Fund, with no opportunity for reinvestment back to the industry to enhance the resource recovery within the state. Waste and resource recovery should be the primary focus of the Sustainability Fund expenditure to encourage material recyclability, improve markets for recycled and recovered materials, and most importantly, support jobs and investment in Victoria's resource recovery industry.

## II. Introduction

Australia is one of the top countries that produce the most waste. The waste generation rate has increased significantly by 163% between 1996-97 and 2013-14 (ABS 2016). Waste generation is a function of population growth, urbanisation rate and per capita income. Today, Australians generated approximately 2.5 tons of waste per person per year, much higher than the European rate of only 480kg of waste per year. The recycling rate in Australia has increased 41% in 2013; however, still remain low in comparison to other developed countries such as Germany (65%), South Korean (58%) or Austria (58%) (OECD 2013).

Landfill levies are economic instruments that put a specific cost on an activity, such as a cost per tonne on waste to landfill. The cost of dumping waste in landfill includes the gate fee (set by landfill operators) and the landfill levy (set by the state government). The purpose of the levy is to reduce waste to landfill, encourage waste diversion and recycling as well as generate funds for environmental projects. Landfill levies vary across Australian states and will be discussed in the next section of the report. This report will compare Victoria's waste industry to other states (NSW, QLD, SA) and also comment on different aspects of the Sustainability Fund, especially emphasising how the recycling industry is taxed to prop up the State Budget.

### III. Main waste & recycling statistics

#### i. Victoria's waste and resource recovery performance

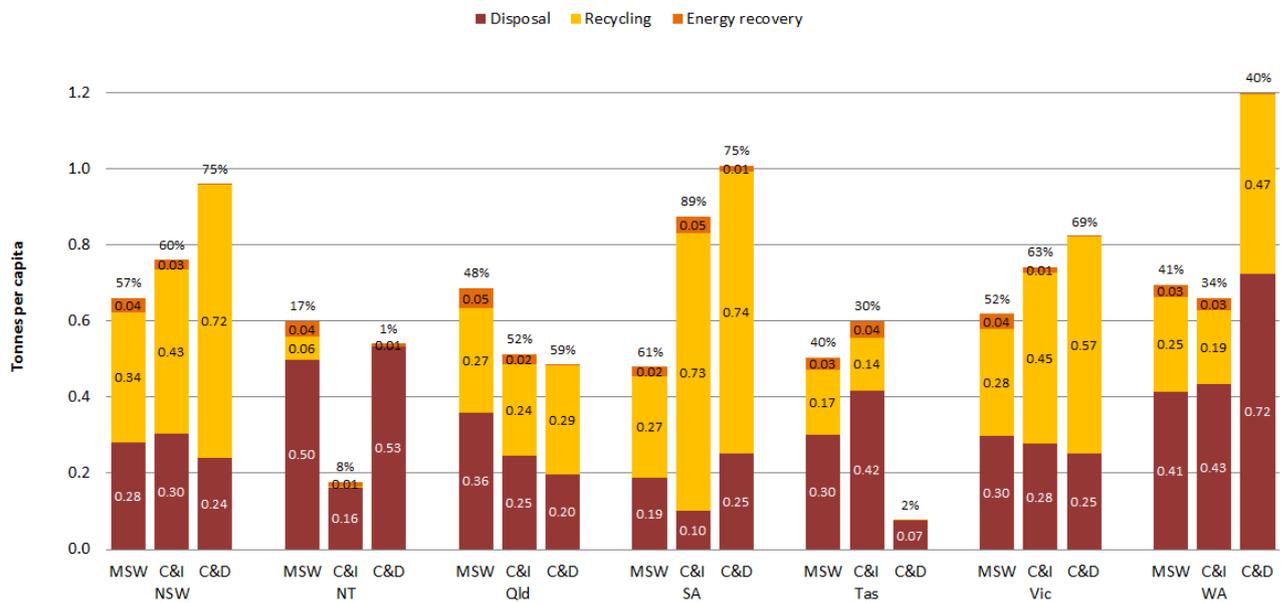
Table 1 shows the per capita amount of waste generated, disposed, recycled and recovered for energy (excluding fly ash) for each Australian jurisdiction in 2010-11. According to the data, ACT and SA have the highest recovery rate (79% and 77%, respectively), followed by NSW (65%) and VIC (62%).

**Table 1. Per capita waste data by jurisdiction, 2010-11 (excluding fly ash) (National Waste Report 2013).**

Tonnes per capita					
State/territory	Generation	Disposal	Recycling	Energy Recovery	Recovery Rate
ACT	2.56	0.54	1.93	0.09	79%
NSW	2.38	0.83	1.49	0.07	65%
NT	1.32	1.20	0.06	0.06	9%
QLD	1.68	0.80	0.80	0.08	52%
SA	2.36	0.54	1.74	0.08	77%
TAS	1.18	0.80	0.31	0.08	33%
VIC	2.18	0.83	1.30	0.05	62%
WA	2.56	1.57	0.92	0.07	39%

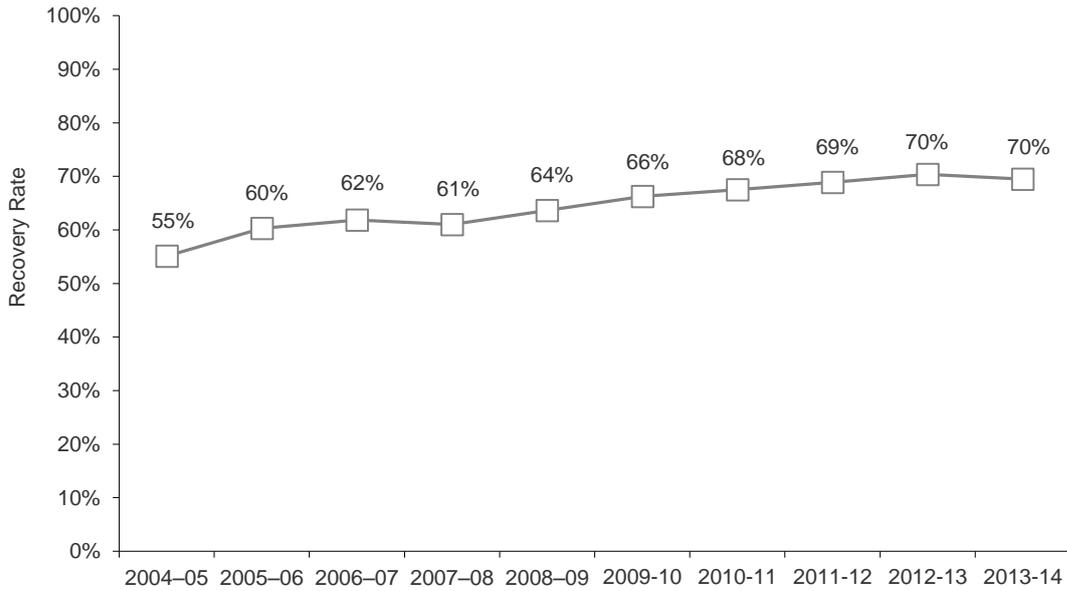
There is disparity across the three waste streams in recovery rate achieved (MSW, C&I and C&D waste streams), which is shown in Figure 2. Figure 2 illustrates waste generation per capita by waste stream and management for different states across Australia (excluding the ACT). In NSW, VIC and QLD the

largest per capita recycling tonnages are generated from C&D stream (75%, 69% and 59%). For MSW stream, the recycling rate in Victoria is 52%, in comparison with 57% in NSW and 61% in SA.



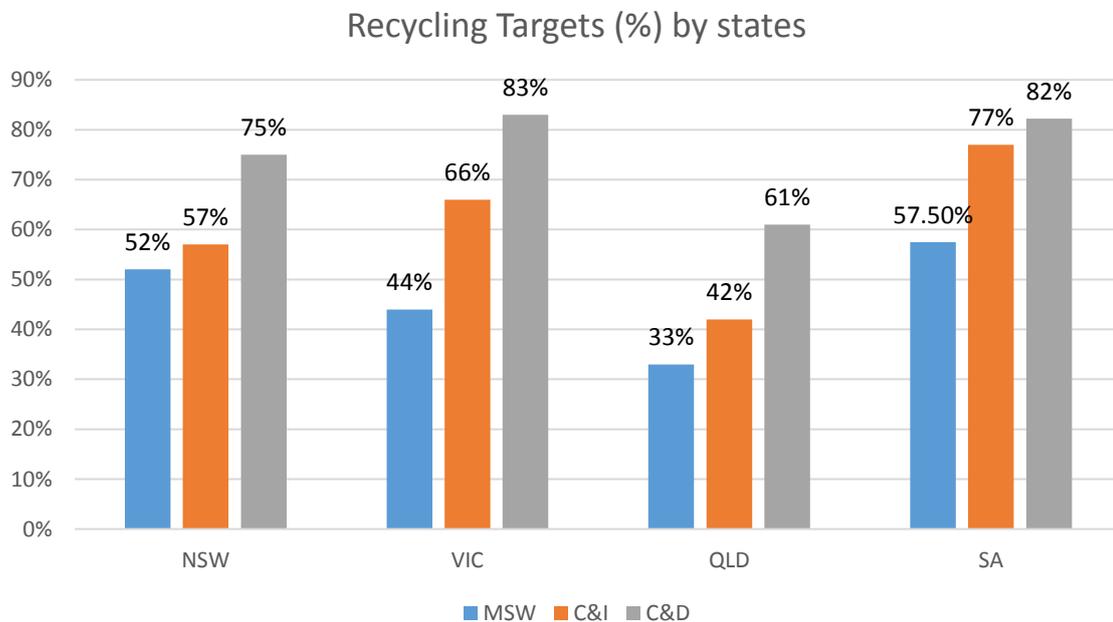
**Figure 1. Australia 2010/11, per capita waste generation by waste stream, management, and jurisdiction (National Waste Report 2013).**

Figure 2 below represents the resource recovery rate of solid waste in Victoria from 2004-05 to 2013-14. According to the State's data, the Victorian recycling rate is significantly higher (70%) in comparison to the National waste data (60%). It is also recorded that 11 million tons of waste generated by Victorians, in which 3 million tons sent to landfill and 8 million tons diverted at a rate of 70% landfill to recycling in 2013-14.



**Figure 2. Resource Recovery Rate of solid waste, VIC 2004-05 to 2013-14 (VIC Recycling Industries Annual Survey 2013-14).**

Figure 3 shows the recycling targets achieved in 2010-11 across NSW, VIC, QLD and SA for municipal solid waste (MSW), commercial and industrial (C&I) waste and construction and demolition (C&D) waste. Data is sourced from the Industry Report 2015.



**Figure 3. Recycling Targets achieved in 2010-11 by states (Industry Report 2015).**

Table 2. Estimated waste disposal and resource recovery rates by source sector in VIC (Industry Report 2015).

VICTORIA	MSW (Mt)	C&I (Mt)	C&D (Mt)	Total (Mt)
<b>Generated</b>	3.77	4.52	5.01	13.31
<b>Landfilled</b>	1.82	1.69	1.53	5.05
<b>Recovered</b>	1.95	2.83	3.48	8.27
<b>% Recovery</b>	52%	63%	69%	62%

According to Figure 3, the recycling rate for MSW stream in VIC is only 44%, compared to 52% in the National Report 2013 (Figure 1). The Industry Report's general recycling rate for VIC is similar to the National Report, at 62% in 2010-11 (Table 1 and 2). It is important to note that the recycling rate for VIC varies slightly between different data sources (national, state and industry report). It seems that the State report claims that VIC has the highest recycling rate (70%) in comparison to the other sources and there is a need to further investigate the credibility of the State's data.

#### ii. Landfill levies

Different states across Australia have established their own landfill levies. With metropolitan landfill levy, NSW tops the chart at \$135.7 per tonne, followed by SA \$76/tonne, Victoria \$62/tonne and WA \$55/tonne. QLD on the other hand currently has no landfill levy due to the abandonment of the levy in 2012 (previously at \$35/tonne) and is the only mainland state without a landfill levy, causing cross border dumping issues.

## IV. Sustainability Fund vs State Budget

### i. Criticism of the Sustainability Fund

Every tonne of municipal, industrial or commercial waste disposed into licensed Victorian landfills attracts a levy. Levies are held in the Environment Protection Fund (EPF), which was established under the *Environment Protection Act 1970* (Vic) and is managed by EPA Victoria. Landfill levies received in the EPF are distributed in accordance with the Environment Protection (Distribution of Landfill Levy) Regulations. The regulations stipulate the amounts that metropolitan and regional waste and resource recovery groups (MRWRGs), Sustainability Victoria (SV) and the EPA are allocated for the year. The remainder fund is transferred into the Sustainability Fund account, held by EPA.

The Sustainability Fund (the Fund) allocations are made by the Premier and Minister for Environment, Climate Change and Water, taking into account government policy and the Fund's Priority Statement. The fund is set up in legislation to ensure that Victoria is lowering the impact on the environment through reducing impacts from waste, limiting greenhouse gas emission, helping communities and

natural environments adapt to climate change and building a more sustainable future. The two main priorities of the legislated purpose include: fostering environmentally sustainable uses of resource and best practices in waste management to advance the social and economic development of Victoria; and fostering community action or innovation in relation to the reduction of greenhouse gas emission or adaptation/adjustment to climate change in Victoria. In 2014-15, the EPF distributed \$186.01 million in landfill levies. The EPA received \$34.01 million, SV \$22.58 million and MRWRGs \$9.64 million. The remaining \$119.78 million was transferred to the Sustainability Fund. The current balance of the Sustainability Fund was \$430.7 million at 30 June 2015, up from \$311 million in 2014 and \$238 million since 2013.

However, the Fund is not being used properly and just a small proportion of the fund is spent on waste management and resource recovery initiatives. This undermines the recycling industry as unavoidable residuals from recycling operations are subject to the levy and the kerbside system is fraught with contamination where the wrong material goes into the wrong bin, with little intervention by government.

The Sustainability Fund is failing to achieve its intended purpose as the monies collected are being used to prop up the state budget. Approximately \$500 million dollars is forecast to be sitting idle in the Fund by the end of the financial year underpinning an estimated at \$2.9 billion in 2016-17 budget surplus (State of Victoria 2016). There is no clear direction that the money from the Fund will be allocated to climate change or waste and resource recovery purposes as stated in the Fund's priority statement. For example, in 2015, only \$6.3 million is spent on illegal dumping strike force to manage Victoria's waste materials, a program from the EPA. Landfill levies paid into the Sustainability Fund are not fulfilling their intended purpose and it is unclear why the Fund is holding onto hundreds of millions of dollars, other than to prop up the state government budget surplus. Sustainability Fund money, which comes from landfill levies, contributes approximately 20% to the State budget surplus, while no significant amount is being reinvested into the waste industry. A mere \$21.1 million over four years for jobs and innovation in waste and resource recovery industry has been allocated. This means that the waste and recycling sector is being taxed to prop up the State budget, where money is being used on several initiatives other than focusing on the waste industry. Levy revenue should clearly be returned to the waste and resource recovery sector to improve Victoria's recycling rate, reduce greenhouse gas emissions, increase re-manufacturing jobs, conserve natural resources such as timber, water, and minerals, prevents pollution by reducing the need to collect new raw materials, saves energy, reduces greenhouse gas emissions that contribute to global climate change, helps sustain the

environment for future generations, helps create new well-paying jobs in the recycling and manufacturing industries.

## ii. Comparison to other jurisdictions

Victoria is not doing well in terms of waste and recycling initiative comparing to its neighbours, NSW and SA. For example, the NSW Government has established the *Waste Less, Recycle More initiative* – a five year \$465.7 million package – to provide a comprehensive approach to improve the management of waste materials throughout NSW economy. The initiative is funded through the NSW waste levy and is the largest waste and recycling funding program in Australia. The NSW Environment Protection Authority (EPA) is leading the initiative with some grant programs delivered by the NSW Environmental Trust. As of December 2015, the *Waste Less, Recycle More* programs have awarded \$268.3 million to 653 projects, aiming to process 1,972,762 tonnes more waste and create 741 jobs for the state. The initiative sets out clear funding priorities, including \$60 million for waste and recycling infrastructure, \$137.7 million for local Government Waste and Resource Recovery Program, \$70 million for household problem waste, \$15 million for recycling innovation, \$35 million for business recycling, \$58 million for illegal dumping and \$20 million to tackle littering.

South Australia (SA) is also doing a better job at handling waste levy revenue. About 50% of waste levy revenue is allocated to the *Waste to Resources Fund*, which was administered by Zero Waste SA, now through Green Industries SA. All the funds must be used to support improvements in waste management and sustainable business practice in SA. Unlike VIC Government who does not commit to increase waste levy, the SA Government is committed to increase the solid waste levy in five increments over the next 4 years. At present, the levy sits at \$76 per tonne, rising to \$100/tonne by 2018/19 and \$103/tonne by 2019/20, raising an additional \$64 million over the four years. All extra funding received will be reinvested into waste, environmental and climate change programs, including funding initiatives to help recycle waste into more valuable commodities, accelerating new business opportunities in the resource recovery sector and creating up to 350 jobs. Additional funding will go to local government waste and resource recovery infrastructure, waste education and new solutions for problematic waste. A higher price on waste will provide incentives to councils and industries to reduce waste to landfill and expand and create new industries recycling and resource recovery sector. Scrap metal recyclers, however, will be rebated the full increase in the levy and reviewed in two years. From the \$64 million raised from the levy increase, \$12.4 million will be directed towards the waste sector for infrastructure investment and innovation as well as levy rebates for scrap metal recyclers.

Overall, reforms in NSW and SA give metal recyclers a 50% deduction from the landfill levy as well as directing a substantial proportion back to industry in recognition that recycling residuals are unavoidable and cost burden on an essential service.

## V. Recommendations

This report has outlined Victoria's waste performance in comparison to other jurisdictions as well as illustrating key limitations of the Sustainability Fund in terms of not reinvesting sufficiently in waste and resource recovery industry. Based on the discussed information, the following recommendations are made by the Australian Council of Recycling (ACOR) in relation to the Sustainability Fund expenditure:

- Victoria should cease allocating levy income to funding outside of the intended use of the SV priority statement.
- Accrued landfill levies unspent in the Fund should be fully utilised to:
  - Reduce waste disposed to landfill through diverting waste from landfill to recycling;
  - Support the entire supply-value chain, including waste generators, collectors, processors and recyclers/manufacturers to maximise resource recovery and their application to highest and best use;
  - Provide incentives to business, industries and local councils to upgrade/expand existing infrastructure and services to increase recycling capacity and optimise efficiency.
- The Government should provide waste levy exemption or rebate to unavoidable recycling residues, such as timber, mattresses and shredder floc, which are inherently not capable of being recycled based on current best practice. Any levy that applies to recycling residues should be either subject to exemption or rebate to the efficiency with which the recycling process recovers the resource for recycling. For instance, an 80% recycling yield should be awarded a rebate of 80% of the levy.
- Victoria should allocate SV fund back to industry development. The legislated purpose of the fund should be confined to resource recovery initiatives. Climate change as it relates to recycling is already addressed to the massive greenhouse gas mitigation from resource recovery, as opposed to virgin material extraction. Hence, climate change should be removed from the fund's priority statement and the fund should be renamed to reflect the origin of the revenue and the logical return of the revenue to the resource recovery industry.
- Further, climate change adaptation is addressed nationally and internationally and Victoria's resource recovery, recycling and re-manufacturing industry should not be effectively taxed to

fund climate change adaptation in other industries or the broader community. Any initiatives in this regard should come from consolidated revenue or other government streams.

- Waste levy revenue should only fund activities that focus on illegal dumping and strong regulatory enforcement, as this is the only perverse outcome from any levy regime.
- Waste education and behaviour change program to educate the general public about the importance of recycling and how to properly recycle different materials types.
- ACOR supports the strategic priorities as they related to resource recovery. The expenditure of fund revenues in a strategic and coherent manner could radically increase and encourage material recyclability, improve markets for recycled and recovered materials by making alternatives to landfill more viable and cost competitive.

## VI. References

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