

Extract from *Hansard*
Wednesday, 19 August 2009]
WASTE AVOIDANCE AND RESOURCE RECOVERY AMENDMENT BILL 2009
Second Reading

Dr M.D. NAHAN: The purpose of this Waste Avoidance and Resource Recovery Amendment Bill, let us be honest, is to increase the tax that the previous government established. It established a tax and called it a levy. Levies are taxes; taxes are levies.

Mr P. Papalia interjected.

Dr M.D. NAHAN: Yes. Members opposite have been saying that this is a tax; yes, it is, and they put it in place when they were in government. The purpose of this bill is to raise Labor's tax, but at the same time to keep on track with the forward estimates the level of funding to the Waste Authority and to the Department of Environment and Conservation.

I was wrong: actually the amount of money in this budget going to DEC will go up by 5.4 per cent, with new money of \$4 million. Therefore, the claims that this bill will lead to a cut in the resources of DEC or the Waste Authority are simply false.

There are no cuts to either the Department of Environment and Conservation or to the Waste Authority; both are getting increased money. One of the problems with the Waste Authority is that it has been getting this hypothecated Labor tax for a while but it has not been spending it.

In fact, it has entered this financial year with \$16 million in surplus—a whole year's revenue in the kitty. It has not been spending it, which is a shame. The Waste Authority was set up to spend it.

The problem with this is that it is a hypothecated tax that Labor put in. The reason there is a problem is that Labor put in the tax and called it a levy. Instead of going out and openly saying, "Listen, it is a tax", it said that it would be quarantined and used to fund existing programs.

It took the waste management operations out of DEC and put them into a separate unit, increasing the administrative load and earmarking the funding for it. What did Labor do? When all these things are aggregated, the amount of taxation imposed overall on people increased.

The Labor government took DEC's programs, hypothecated a tax and spent it. That is why a lot of people do not like hypothecated taxes. They are basically not transparent and they lead in time, as it did in this case, to too much money going to the place hypothecated.

When tobacco taxes were raised, they were hypothecated initially to various types of programs designed for health services and they replaced tobacco advertising. That was fine; that is what governments did. Eventually, for a variety of reasons, those taxes grew to exceed the amount governments of the day thought was necessary for those programs. Therefore, they cut the hypothecation to the various Healthway programs and others and took the rest of the tobacco revenue into general revenue.

Okay; that was reasonable. A very large proportion went to Healthway and other programs. That is what the government is doing here. The government is basically saying that it will increase this tax, it will keep the revenue flows constant to the Waste Authority, it will make sure the Waste Authority uses up its surpluses and not sequester money in funds, it will make sure DEC gets adequate revenue and it will take the residual to consolidated revenue. That is what it is doing. That is fair enough; it has been done before.

It is transparent and obvious, and when the Minister for Water talked about it during the estimates committee, he was open and honest about it. It is called accountability.

One of the issues that the member for Gosnells complained about, which was very strange given his past, was that this legislation makes the Department of Environment and Conservation, in essence, more reliant on the landfill levy as a way of raising revenue. For decades the environmental movement has gone on and on about making the tax system more dependent on user-pay and polluter-pay taxes—that is, to make governments tax polluters and levy taxes on entities that deplete resources.

In fact, the Conservation Council of Western Australia, of which the member for Gosnells is a former member, has led the charge for this type of tax in this state for decades; indeed, when he was the director of that body, he lobbied for it to be included in the Waste Avoidance and Resource Recovery Act 2007.

If members read the second reading speech and the debates around the Waste Avoidance and Resource Recovery Act 2007, they will see that one of the principles was to put the levy in to provide a disincentive to create landfill and waste and, at the same time, to generate income for special purposes.

Is this a tax? Yes, it is. Creating a tax of this nature has two effects: firstly, it has a disincentive effect; and, secondly, it creates income. The member for Cannington said that there is no transmission mechanism to create a disincentive. That is not what the draft legislation provided and the second reading speech stated when Labor introduced the bill.

Quite clearly, its purpose was to raise income, but it was also to create a disincentive to everybody to generate less landfill and waste. To be honest, the shires, driven by the community, have reacted and have implemented all sorts of mechanisms to reduce waste. In my electorate we have a composting plant. It has been a failure, but it was a legitimate attempt by the local shires to eliminate waste, specifically landfill. They spent \$55 million-plus of local shire money to try to do it.

Mr P. Papalia: Do they support the government's proposition?

Dr M.D. NAHAN: I will come to that. If the objective of the composting plant had been achieved, they would have eliminated the problem of landfill. If they had done so, they would not have incurred this levy. At the same time, the major growth in landfill in this state is driven by construction waste. Contrary to the view expressed by the member for Cannington, there are no real impediments in Western Australia to recycling more of that waste.

There are to the recycling of paper and glass because of the tyranny of distance. The real transmission mechanism is that it gives the shires, which make the decisions about their own waste minimisation, an incentive, and they are reacting. The Southern Metropolitan Regional Council built a composting plant, and one is also being built in the northern suburbs. The shires are doing these things because they are acting as rational decision-making units.

They know that the public does not want landfill and that it is costly because of the imposition of the landfill levy and the necessity to buy land in which to put landfill, so they are reacting by trying to redirect the waste. The transmission mechanisms are out there if we look for them.

Public opinion has driven these changes, and public opinion also shaped Labor's bill. The public decided some time ago that it wanted to reduce waste. The member for Warnbro stated that I was an economic rationalist and that therefore I should be against all taxes. No, I am not.

I would rather have a tax on landfill than a higher payroll tax. I think the state should shift its tax burden further by the use of these types of levies, because there are externalities and the price mechanism does not adequately price the cost of waste, so this levy is how that will be achieved.

Mr P. Papalia: Do you support a container deposit levy?

Dr M.D. NAHAN: That is a different debate and we will come to that. That raises different issues, and the tyranny of distance is a major problem. A major objective of this levy is to raise more revenue. The government has stated that it has enough in its budget to not have to cut the funding to the Department of Environment and Conservation—in fact, it will increase it—but the Waste Authority has difficulty spending its funding, so the revenue raised from the levy will be allocated to general revenue. I have no problem with that.

That is the appropriate thing to do when a disincentive has to be created to lessen pollution, but the revenue collected exceeds what is necessary for the purposes of hypothecation. That is what the government has done.

This is not part of the three per cent efficiency dividend. It was itemised in the budget papers, and has been discussed in Parliament. It is consistent with the multifold purposes of the act, which are to implement the polluter-pays principle, to increase expenditure for waste recycling and to disincentivise the creation of waste.

The Western Australian Local Government Association is a strange beast, and I have read most of its publications on this subject. It is complaining—as is the Labor Party—not that more revenue will be collected, but that it will not receive it to use for its own purposes. WALGA is really complaining that it wants to use the levy for its purposes, such as waste minimisation and processing facilities.

Its complaint is not that the levy was pushed—it supports a higher levy—but it wants the money to flow to it. It has whinged about that, which is understandable. The waste industry is going through a particularly bad time right now due to the global financial crisis and the fact that the rapid growth in the volume of recycling around the world has led to a very sharp decline in the price of paper and other waste products.

This is so particularly in Western Australia, given the tyranny of distance and the cost of shipping paper to Asia for processing; the market has decreased. Two years ago local councils were making a bomb on the recycling of paper and other materials. In fact, the Southern Metropolitan Regional Council made over \$5 million from recycling two years ago.

Mr D.A. Templeman: What is your view of the Southern Metropolitan Regional Council?

Dr M.D. NAHAN: I will come to that, and then the member can ask questions.

Mr D.A. Templeman: I'm interested in your view on that.

Dr M.D. NAHAN: The timing was unfortunate, they do have fundamental problems, and of course the SMRC's recycling materials handling plant burnt down recently, which is a different issue.

Mr P. Papalia: You were a lot more critical in the newspaper.

Dr M.D. NAHAN: I will come to that, but I am dealing with a specific aspect at the moment. My complaint about the SMRC is the failure of the composting plant—if it works, good—but also that it is not affected by this landfill levy because theoretically it is a measure to stop landfill.

Mr D.A. Templeman: But you want to close it, don't you?

Dr M.D. NAHAN: I will come to that.

Mr D.A. Templeman: You've been quite public about it.

Dr M.D. NAHAN: Yes, very public. I want it fixed, but I do not think it can be, and I do not think they have used the right technology.

Mr P. Papalia: You want to support recycling, but not in your electorate.

Mr D.A. Templeman: You want to shift it somewhere else!

Dr M.D. NAHAN: I will come to that. One issue that has been frequently raised is that of illegal dumping. Let us consider illegal dumping. Who collects most of the waste?

Ms L.L. Baker: Me!

Dr M.D. NAHAN: The member does?

Ms L.L. Baker: In my street, I do!

Dr M.D. NAHAN: City councils collect most of the waste. When WALGA stated that there would be an increase in illegal dumping, it implied that it was responsible for most of the municipal waste, such as green waste, materials handling and urban waste. Is it threatening to increase illegal dumping? I do not think so. There will be some incidents of illegal dumping, but this levy will not lead to a significant increase in it.

Dr M.D. NAHAN: Local governments, including the SMRC, immediately increased their total waste recovery charge.

Several members interjected.

Dr M.D. NAHAN: Most of the waste in the metropolitan area is collected by the city councils. The shires collect it in the bins; they pick up the green waste. They are largely responsible for picking up waste. If the government jacked up the waste levy, there would be some illegal dumping in rural areas.

However, for a variety of reasons—one being the haemorrhaging of their own waste management policy; I might add that there were some exceptions—most shires grabbed the opportunity to increase their waste charges to cover the cost of the levy prior, as the member for Cannington said, to the levy even being imposed. They actually increased their levies beyond this amount; that is, the increase in the levy was small in proportion to the total increase in the shire's waste charges.

The real problem and the real impact on local government rates was, indeed, the management structure of local government. Some regional councils responsible for recycling—for example, the Eastern Metropolitan Regional Council, which is a very efficient and well-run organisation, in fact a model for the metro area—did not at all significantly increase their waste handling fees. The EMRC's cost charges are half what the SMRC's charges are in my area.

Mr P. Papalia: They sent the group to Venice, didn't they?

Dr M.D. NAHAN: I do not care.

Mr P. Papalia: To attend the waste recycling seminar in Venice—isn't that what they did?

Dr M.D. NAHAN: Yes.

Mr P. Papalia: Is that why they are so good?

The DEPUTY SPEAKER: Order, members!

Dr M.D. NAHAN: No. Given his shadow portfolio, the member for Warnbro should step back and look at the reality of who is performing well and how they are performing, especially when an organisation puts in state-of-the-art facilities and has an extremely good program of community consultation on what to do next after landfill—that is, when landfill is finished. I know he is from Rockingham and I know that the City of Rockingham's most profitable venture is its landfill operation.

The member for Rockingham would probably like to see that continue. I am not bagging landfill, but the EMRC has built and now runs a state-of-the-art landfill system and is now identifying state-of-the-art post-landfill operations. Yes, it sent some people to Venice; I do not know the details, but the simple fact is that the EMRC charges half that charged by others, and that is a pretty good operation.

Quite simply, some of the councils have not operated their businesses very efficiently and effectively. They are now struggling financially. That is the case because some listened to the Western Australian Local Government Association and invested in Lehman Brothers and lost large amounts of money, and because others took a punt on a composting plant that does not work and they will need state assistance in the future—albeit not through this hypothecated levy—to get around the problem.

Mr D.A. Templeman: So what would you do?

Dr M.D. NAHAN: First of all, the general purpose of the waste recovery act and the levy is how best to give an incentive for waste minimisation and how best to address the waste that is generated.

Dr M.D. NAHAN: Personally, the idea of zero waste is like the idea of no children in poverty; that is, it is an acceptable if not achievable aspiration which, if pursued too hard, will lead to distorted behaviour.

Mr D.A. Templeman: What sort of behaviour?

Dr M.D. NAHAN: Distorted behaviour; distorted decisions or inefficient decisions. The SMRC's composting plant is a perfect illustration of that.

As I understand it, the idea to produce compost started under the Richard Court government when the then Department of Conservation and Land Management legitimately sought to come up with ideas to minimise waste. They sent a troop around the world—perhaps not to Venice, but to other places—to look at waste dumps and recycling places.

I assure members that people do not go around the world as a tourist to look at those things! They returned with a bevy of technologies, and, after consultation, they thought they had one that would work, but it did not. The local shires, backed up by the Treasury Corporation, invested huge amounts of ratepayer association money.

There were some serious teething problems, albeit they were just teething problems, and then these plants were built with the idea of turning municipal waste into legitimate compost that could be used in farming and other productive purposes.

It was an admirable aim; I am not knocking it. The process was driven by the councils' view that landfill had to be phased out holus-bolus.

They thought it had to be phased out because not only was there probably going to be pushes for user charges, but also it was going to be too hard or too costly to buy landfill space. That is what they responded to, and responded to efficiently. However, it turned out that these councils chose the wrong technology.

I think the member for Mandurah in his former role as the Minister for Environment is across this issue. The plant almost immediately emitted significant levels of air pollution—that is, odour pollution—and the community complained excessively. It was the single most—second most, really—important issue during the last election.

Mr D.A. Templeman: Did you say the second?

Dr M.D. NAHAN: The second. Leach Highway was the top issue. The city councils were split on the issue and the community was in an uproar. I went out to the affected communities and doorknocked every house in the neighbourhood. People were concerned about the significant effect on their communities.

Try having a BBQ at Christmas time with a smell of that nature. The government was not listening, although to give it credit, it was trying to deal with the complex issue of minimising waste generation at the same time as going through the proper departmental assessment processes in an attempt to get the thing to work.

I do not think the whole process was handled very well at all. In fact, the decision-making structures significantly ignored the concerns of the community.

The community was extremely angry about it and remained extremely angry about it. But that is not the whole story.

At the time the plant was introduced, the data showed that this type of Bedminster plant had three problems: first, it had a tendency to emit excessive odours, and that came to pass; second, it had very high levels of repair and maintenance costs, because it is a very corrosive environment and that has come to pass; and, third, and most importantly of all, there was no output for the compost, which had a tendency to be contaminated by glass, batteries and other contaminants that could not be removed.

History shows that there were 80 or 90 of these things, and that most of them have closed down. At the same time, in Europe and North America, and increasingly in Australia, compost quality standards went up, so there is not, and probably never will be, a market for the compost. One of the planks of this plant was to minimise waste—that is, to minimise landfill—by generating compost and selling it.

But the councils are paying and will have to continue paying people to haul it away. After spending \$55 million in capital costs and huge amounts on operating costs to generate the material, they have to put it on land along the Perth-Bunbury highway—and they claim that is saving landfill! I do not see the logic of it.

Mr D.A. Templeman: You doorknocked the community, you have been elected as the local member and you are now a member of the government: what are you going to do?

Dr M.D. NAHAN: I have been very active on this one.

Mr D.A. Templeman: No, no; what are you going to do?

Dr M.D. NAHAN: The first and biggest issue was to get the SMRC and the local councils to recognise that they have a problem, and we have had some success there, because they were in denial. The member for Mandurah knows that. We had to get them to admit that there is an odour problem before we could attempt to fix the problem.

The previous government had two goes at it and failed. There is now another investigation and there will be another investment in the plant. Let us see how that comes out because another \$2 million is to be invested in various types of programs.

We have finally got them to admit, first, that they have an odour problem, that it comes from the composting and that they have to address that problem. The second thing that will have to be dealt with is the admission that the plant is probably not going to work at all. The question is: where do we go next? To be honest, the plant was built in the wrong spot in the first place; it should never have been built within 200 metres or 300 metres of houses.

Mr D.A. Templeman: Have you promised people in that community that you will close it down?

Dr M.D. NAHAN: No, I have not.

Mr D.A. Templeman: What have you promised them?

Dr M.D. NAHAN: I promised them the process I just described.

Mr P. Papalia: You have come to the end of that process. What next?

Dr M.D. NAHAN: The process is quite clear. The Eastern Metropolitan Regional Council is already doing this.

Mr P. Papalia: It is your responsibility because you are in government.

Dr M.D. NAHAN: Just listen. It is not, because in this state the city councils and the Southern Metropolitan Regional Council have responsibility for these investments.

Mr P. Papalia: You campaigned against that and you have won.

Dr M.D. NAHAN: I did not campaign against it. I think that the shires are the appropriate bodies to build, run, maintain and make decisions in respect of waste management.

Mr P. Papalia: So you do not have a solution?

Dr M.D. NAHAN: I do. If the member had listened rather than trying to score points, he would have heard me state it. This state has a real issue, and that is the purpose of this debate. We are pushing towards recycling and we are going into various technologies. If we do not recognise that one does not work and we do not address the problem, we will go back to old types of landfill, so we must progress to the next phase.

The Eastern Metropolitan Regional Council is doing that. It has built a state-of-the-art landfill system that for the environment and cost is much more efficient than the composting plant. Forgetting that there is no market for the compost, the plant generates a helluva lot of CO₂, which is a greenhouse gas. If the waste is put into landfill, it generates methane, which is a more intense greenhouse gas.

The Eastern Metropolitan Regional Council plant captures all that and sells it for energy, which stops it being exuded into the atmosphere, so its impact on the greenhouse effect is less than that of the composting plant. It also makes money by selling the gas. Because the landfill pit is lined and everything else, it is a very efficient process.

The member for Cannington mentioned the Productivity Commission. Over the decades the Productivity Commission has presented a large amount of material on a large number of issues. It has conducted a number of inquiries into issues of polluter pays and user charges for recycling. It has conducted many inquiries into the issues of market distortions. It has recognised the issue of externalities and other issues, and it is firmly committed to charging for pollution and giving a disincentive for emitting pollution.

Its more recent investigation into landfill made that clear. It did not say that waste recycling was a waste of time. It did not pursue some flat-earth policies—I think the member for Cannington is stuck in the 1980s on this debate—but in fact came out strongly for certain types of waste recycling.

It said there were different ways to go about it. It recommended a variety of ways to address these issues, including incineration. The Productivity Commission therefore recognised the problem. It also said that in some places, particularly in Western Australia, if waste could be directed to the other side of the scarp and to modern landfill systems, where all the methane could be captured and sold to the grid and a pit could be lined in a much more efficient and environmentally appropriate way, composting systems that stink, fail and cost a lot are often more environmentally and socially acceptable than incineration systems that the community often does not want.

The argument put forward by the Productivity Commission, and by me, is that our community has a real issue with recycling and waste minimisation. We need a disincentive for the creation of it, and that is what this bill does.

The shires and city councils, which face this major task, must experiment with various technologies. We must learn from them. Let us hope that the composting plant in the north does work. The one used by the Southern Metropolitan Regional Council is failing. We must therefore learn what we can replace it with, where we can replace it and how we can fix the problem.

The model for doing that has been operated by the Eastern Metropolitan Regional Council. We must look at not only modern landfill practices, particularly on the other side of the scarp, but also incineration and other methods. This is where I will agree with the Western Australian Local Government Association: the state should play a more strategic role in waste management by approaching waste management as an essential service, like electricity, water and sewerage.

It should maybe not own the plants or manage them, but it should come up with a strategic metro-wide approach to waste management and methods of disposal in this state. Perhaps if the Waste Authority looked at these types of issues, it would get more revenue in the future. However, until it does, I think it has enough money because it has a stockpile of money.

Having the Department of Environment and Conservation more reliant on user charges is consistent with the Waste Avoidance and Resource Recovery Act and an appropriate way to go. I hope to participate in future debates about taking waste on a metro-wide basis and treating it as an essential service.