



PROPOSED LANDFILL FEE INCREASE FROM 1 JULY 2012

PURPOSE

This report seeks approval for an adjustment to the landfill charges for Spicer Landfill.

SIGNIFICANCE OF DECISION

The matters considered in this report do not trigger the Council's Significance Policy.

RECOMMENDATIONS

That the Wastewater Treatment Plant and Landfill Joint Committee recommend:

1. That the Porirua City Council **agree** to increase landfill charges at Spicer Landfill by 15% from 1 July 2012.
2. That Wellington City Council **agree** that Porirua City Council increases landfill charges at Spicer Landfill by 15% from 1 July 2012.
3. That the Porirua City and Wellington City Councils **note** that an additional increase in landfill charges at Spicer Landfill will be required from 1 January 2013, to compensate for Emissions Trading Scheme charges.

Report prepared by:

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SOLID WASTE MANAGER

Approved for submission by:

Peter Bailey
GENERAL MANAGER ASSET MANAGEMENT AND OPERATIONS

1 EXECUTIVE SUMMARY

- 1.1 The operation of Spicer Landfill is paid for by user charges rather than rates. These charges pay for landfill operating and maintenance costs and for levies imposed by central government.
- 1.2 Spicer Landfill's charges are lower than the other two landfills in the region. There is some evidence that waste is being diverted to Spicer because of ease of access and the lower price.
- 1.3 A fee increase is required to:
- act as a disincentive for waste diversion to Spicer from other landfills with consequent environmental and social impacts due to increased transport
 - reduce the risk of shortened landfill life
 - provide a financial incentive for customers to consider alternatives to landfilling such as reuse and recycling, and
 - meet Council's Long Term Plan budget targets.
- 1.4 A fee increase contributes to both Councils' strategic focus in their Long Term Plans by providing a financial incentive to reduce waste to landfill.
- 1.5 A moderate approach is recommended with an increase of 15%.
- 1.6 For householders an increase of 15% would increase the charge for a carload of waste by \$2.20. It is unlikely that a fee increase of 15% would significantly affect resident's ability to pay or permanently increase negative behaviour such as fly tipping.
- 1.7 Progress with implementation of the Emissions Trading Scheme will continue to be monitored. Any further required changes to operations will be discussed in a future report.

2 CONTRIBUTION TO COUNCIL'S STRATEGIES

Relationship to Council's Strategic Focus Areas

Investing in infrastructure for the future	Protecting our landscapes and harbour	A vibrant city centre for residents, business and visitors	Active and connected communities
✓	✓		

- 2.1 This review contributes to both Councils' strategic focus in their Long Term Plans by providing a financial incentive to reduce waste to landfill:
- "Waste Reduction is fundamental to Council's commitment to sustainable development and to reducing Greenhouse gas emissions"¹, and

¹ Refer paragraph titled "Why", Page 151, 2009-2019 Porirua City LTCCP
PCC - #747996-v3

- "The city will reduce its impact on the environment through more efficient use of energy, water, land and other resources, and by minimising waste"².

3 ASSOCIATED PORTFOLIOS

Relationship to Council's Portfolios of Responsibility

Sport, Leisure and Recreation	Community and Social Development	Infrastructure and Environment	Economy and Arts	Planning and Regulatory	Finance and Audit
✓	✓	✓	✓	✓	✓

Relationship to Project Portfolios

Emergency Management	Sister Cities	Village Planning	Harbour	City Centre	Community Empowerment
✓		✓	✓	✓	✓

4 BACKGROUND

- 4.1 Spicer Landfill is a joint venture (JV), jointly owned by Porirua City Council (78.5%) and Wellington City Council (21.5%). The landfill is managed by officers of Porirua City Council on behalf of the JV.
- 4.2 The operation of Spicer Landfill is paid for by user charges, rather than rates. As such., landfill income is solely from charges to landfill users. These charges pay for landfill operating and maintenance costs and for levies imposed by central government.
- 4.3 Landfill charges (excluding changes to GST and the imposition of the Waste Levy) were last increased in July 2011, and prior that had not been increased since June 2006³.
- 4.4 Landfill charges were adjusted in July 2009 to account for the \$10/tonne Waste Levy imposed by central government as part of the Waste Minimisation Act 2008.
- 4.5 The entire income from the Waste Levy goes to central government. Although Council receives some of this money back, the amount received is determined by city population only. The amount received from central government by Council is therefore not linked to landfill charges.
- 4.6 Despite the price increase of 1 July 2011, subsequent price increases at other landfills mean that Spicer's charges have lagged behind. As of March 2012 landfill charges for general waste are:
- Southern \$105.10/tonne;
 - Silverstream \$105.00/tonne; and
 - Spicer \$101.70/tonne.

² Page 54, Wellington City Long Term Plan 2009-19

³ Report to JV Committee 14 Jan 2009 #438812 v1

- 4.7 This paper investigates the costs and benefits of adjusting Spicer's charges, and recommends that charges be increased.

5 DISCUSSION AND OPTIONS CONSIDERED

- 5.1 With respect to possible changes in charges there are three options:

- reduce charges
- maintain the status quo, and
- increase charges.

- 5.2 The following discussion examines the importance of maintaining relativity to other landfills in the region, the increasing cost of provision of the landfill service, customers' ability to pay and the possible effect on avoidance (fly tipping) as a result of changing landfill charges.

Relativity to other Landfills

- 5.3 As noted above, Spicer's charges are lower than the other two landfills in the region.

- 5.4 Currently the difference between Southern and Spicer is \$3.40 per tonne and it is probable, but not certain, that Southern's charges will increase for the next financial year. This is one of the recommendations in the Deloitte report investigating the proposed solid waste CCTO with Wellington City Council⁴.

- 5.5 An increase in the price difference, for example if Spicer reduced its charges, would make it more attractive for commercial operators to drive to Spicer to dispose of their waste. This would have two negative consequences, namely:

- an increase in environmental and social impacts such as greenhouse gas emissions, road damage and traffic accidents due to the increased use of truck transport, and
- a more rapid filling of Spicer with a consequent reduction in the landfill life.

- 5.6 Consequently a reduction in landfill charges is not recommended.

- 5.7 There is some evidence (anecdotal and by analysis of the comparative waste flows) that commercial operators already prefer Spicer Landfill to Southern Landfill because of ease of access and possibly the lower price, and therefore divert their trucks to Spicer.

- 5.8 An increase in landfill charges to a similar level as the other landfills would have the following positive effects:

- it would re-establish parity between the three landfills in the region

⁴ "PCC/WCC Joint Management of Solid waste Services", 9 Nov 2011, Deloitte, page 22, 23.
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- it would help to ensure that waste is not unnecessarily diverted to Spicer with consequent environmental and social costs and the risk of shortening the life of the landfill, and
 - it would provide a financial incentive for customers to consider alternatives to landfilling such as reuse and recycling. This is aligned with both Councils' policies of waste reduction
- 5.9 It could be argued that Council should be aiming to set landfill prices even higher to further incentivise diversion from landfill through recycling. However, at some point waste would be diverted away from Spicer to Southern or Silverstream.
- 5.10 A moderate approach is recommended with an increase of 15%, or \$15.30/tonne, to \$117.00/tonne (all including GST). This figure is slightly higher than the charge that would be used at the Southern Landfill if the recommendations of the Deloitte report were implemented.
- 5.11 Landfill quantities will continue to be monitored, and in a future paper recommendations may be made to further increase charges.

Cost of Provision of Service – Possible Risks

- 5.12 The provision of a landfill service has a cost, which is met by income from landfill charges. The current status, possible cost increases and possible risks to landfill income are discussed as follows.
- 5.13 *Funding of Service* – Currently income exceeds expenditure (including overheads but excluding depreciation) so the landfill does not need to be funded from rates.
- 5.14 *Operating Cost Increases* – After the first year of a contract, the landfill operator will be entitled to a quarterly increase in its fee to cover cost increases. These cost increases are generally similar to the rate of inflation. This will begin to affect operating costs in the second quarter of the 2012/13 financial year, from 1 October 2012.
- 5.15 In line with Porirua City Council's policy on setting fees and charges, charges cannot be increased because of increased costs as income exceeds expenditure.
- 5.16 *Impact of proposed CCTO* – Should it proceed, the proposed CCTO will increase landfill costs assuming the landfill is required to shoulder some of the increased administrative costs associated with the CCTO.
- 5.17 *Ability to fund capital works* – the current landfill income should be enough to fund capital works without permanently drawing down the reserve.

5.18 *Waste disposal trends* – Landfill income is directly linked to tonnage of waste to the landfill. This has been steady at 63,000 +/- 3000 tonnes/y in recent years. However tonnages were down in the 2010/11 year (59,353 tonnes) and have dropped further so far in the current financial year (by approximately 10%). If the current trend continues 2011/12 tonnages are expected to be approximately 53,000 tonnes. This drop in landfill tonnages has been considered in the setting of the proposed 15% fee increase.

5.19 *Emissions Trading Scheme (ETS) charges* - Potential ETS Charges for Spicer are currently estimated at \$400k/y at \$20/Tonne CO₂e. This would be a significant cost requiring a fee increase in January 2013 but for the following reasons can't be adequately quantified at present:

- the price for CO₂ is fluctuating at present and has dropped as low as \$8/tonne
- ETS charges only apply from 1/1/2013, and are payable from 1/1/2014, and
- it is too early to predict if the existing ETS regulations regarding landfills will remain as they are, especially given the lack of clarity and potential loopholes that are becoming apparent.

Ability to Pay

5.20 It is unlikely that a fee increase of 15% would substantially affect the ability of users to pay:

- for householders using a car, an increase of 15% would increase the charge for a car load of waste by \$2.20 to \$16.70
- for commercial users of the landfill the fee increase will restore parity with other landfills in the region and set Spicer's charge slightly higher than officers' best estimate of Southern's.

Risk of Avoidance

5.21 It is unlikely that a fee increase of 15% would substantially increase fly tipping which is mostly smaller quantities from households. Increases in rubbish bag charges, for example, have shown a short term effect such as an increase in the use of non Council bags, but this abated after a few weeks.

6 OPERATIONAL IMPLICATIONS

- 6.1 Capital and operating expenditure is directly linked to landfill quantities. Quantities are unlikely to be significantly affected by a fee increase of 15%.
- 6.2 The proposed increase in fee would be advertised in the local media and on Council's website in June prior to the increase taking effect from 1st July 2012.
- 6.3 Major Spicer Landfill customers, for example those with accounts, will also be informed of fee changes by letter in June 2012.

7 FINANCIAL IMPLICATIONS

- 7.1 Landfill expenditure, including provision for future capital works and overheads, is expected to be covered by income.
- 7.2 The 2012/22 Long Term Plan has the proposed increase in price already incorporated into the budgets.
- 7.3 The proposed landfill price increase is aligned with the Revenue and Financing Policies of both Councils.

8 STATUTORY REQUIREMENTS

- 8.1 There are no significant legal implications associated with this decision.
- 8.2 This review is aligned with Council's policies as described in its Solid Waste Management Plan, Spicer Landfill Asset Management Plan, Revenue and Financing Policy and the Policy on Setting Fees and Charges.
- 8.3 In accordance with s46 (2) of the Waste Minimisation Act 2008, Council can charge fees for a facility that are higher or lower than required to recover the costs to provide the service, providing the incentives or disincentives will promote waste minimisation.

9 CONSULTATION

- 9.1 Given that a price increase of 15% is unlikely to affect the ability of users to pay, or cause an increase in fly tipping, or increase environmental impacts associated with increased transport of waste, consultation with the community has not been carried out to date.

10 CONCLUSION

- 10.1 Spicer Landfill's charges are lower than the other two landfills in the region.
- 10.2 There is evidence that waste is already being diverted to Spicer because of ease of access and the lower price.
- 10.3 A fee increase is required to:
 - disincentivise waste diversion to Spicer with consequential environmental and social impacts due to increased transport
 - reduce the risk of shortening the life of the landfill
 - provide a financial incentive for customers to consider alternatives to landfilling such as reuse and recycling, and
 - meet Council's Long Term Plan budget targets.

- 10.4 A fee increase would contribute to both Councils' strategic focus in their Long Term Plans by providing a financial incentive to reduce waste to landfill.
- 10.5 A moderate approach would be an increase of 15%. This would increase the fee for general waste to \$117.00/tonne (including GST).
- 10.6 Landfill quantities and progress with implementation of the Emissions Trading Scheme will continue to be monitored.
- 10.7 Landfill expenditure is expected to continue to be covered by income.
- 10.8 For householders an increase of 15% would increase the charge for a car load of waste by \$2.20. It is unlikely that a fee increase of 15% would significantly affect resident's ability to pay or increase negative behaviour such as fly tipping.
- 10.9 There are no significant legal implications associated with this decision.

11 ATTACHMENTS:

- 11.1 None