Submission

By

BusinessNZ

to the

Local Government and Environment Select Committee

on the

Waste Minimisation (Solids) Bill

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WASTE MINIMISATION (SOLIDS) BILL

SUBMISSION BY BUSINESS NEW ZEALAND[1]

1.0 Introduction

1.1 Business New Zealand welcomes the opportunity to make a submission on the Waste Minimisation (Solids) Bill ("the Bill").

1.2 Business New Zealand has serious concerns with this Bill and recommends that it does not proceed.

1.3 The Explanatory note to the Bill states:

> *"This Bill seeks to put in place provisions and institutions which will enable and require New Zealand businesses, public organisations and households to dramatically decrease their disposal of waste. This will have not only environmental benefits but also social, cultural, and economic ones."*

1.4 While the above statement could be considered a laudable objective, there is no analysis as to the costs and benefits of taking the particularly heavy-handed and bureaucratic regulatory approach outlined in the Bill, nor is there evidence supporting greater direct government intervention in the market for waste.

1.5 Business New Zealand is strongly supportive of voluntary industry-led and market driven approaches to waste management where systems and processes reflect the needs and wants of both businesses and their paying customers.

1.6 There are a significant number of initiatives undertaken at both the individual enterprise level and as well as industry-led voluntary product stewardship schemes to minimise waste. Examples of individual business initiatives include Fisher and Paykel's take back scheme for domestic appliances, Resene's levy on paint to fund their take back scheme for unwanted paint, and cellphone take backs by Vodafone and Telecom. Other regimes are more industry based such as the "Packaging Accord" and schemes for used oil. These regimes would appear to be having a real impact as they are developed by and for the needs of industry and the demands of its consumers. It is noted that

[1] Background information on Business New Zealand is attached as Appendix 1.

other industries such as those involved in the computer and TV industries are beginning discussions on the best way forward.

1.7 It is important to appreciate that there will be an "optimal" amount of waste taking into account the economic and environmental sustainability of resource use. Total emphasis on short-term economic outcomes without due regard to environmental outcomes could well be detrimental to long-term economic growth and an increased standard of living for current and future New Zealanders. By the same token, total emphasis on environmental outcomes to the detriment of economic growth and improved standards of living for New Zealanders would be similarly detrimental.

1.8 Before any regulatory approach is considered desirable, it is first important to fully understand the nature of the problem, who is affected, the costs of taking action, and who bears those costs. Regulatory intervention, because of its cost, should generally be considered as a last resort, only to be taken when all other cost effective approaches have been exhausted.[2]

1.9 In order to justify government intervention, there must be a clear case of market failure and the problem of market failure must be significant.

1.10 Given that markets are generally faster at self-correcting than government intervention, the onus of proof must be on government to provide beyond reasonable doubt that the benefits of intervention exceed the costs, including unintended costs associated with regulation (such as non-compliance).

1.11 Moreover, it should be noted that regulators generally have strong incentives to minimise their own risk by imposing higher standards than might arguably be justified. Because regulators do not bear the costs associated with their decisions (costs will ultimately fall on consumers), they may well "over-regulate" rather than be aware of, or adequately consider, the cost/quality trade-offs consumers are willing to make.

1.12 At minimum, before proceeding any further with this Bill, the government should commission a thorough and independent costs/benefit analysis along the lines of the Australian Productivity Commission Report on Waste Management which was recently released in Australia.[3]

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[2] The terms 'regulation' and 'regulations' used in this submission refer both to statutory interventions and interventions via the regulation-making process.

[3] Productivity Commission 2006, *Waste Management,* Draft Report, Canberra.

1.13 This submission is in two sections. Firstly, section one provides a general discussion on waste and the justification or otherwise for further specific government or local government intervention in this market such as specific waste levies and mandatory product stewardship schemes. The second section comments on specific clauses in the Bill.

2.0 Recommendations

Business New Zealand **recommends** that:

the Waste Minimisation (Solids) Bill not proceed.

Without prejudice to the above recommendation:

Business New Zealand **recommends** that:

(1) if the Bill is to proceed, then at minimum, a thorough independent cost/benefit analysis be undertaken along similar lines to the recent report by the Australian Productivity Commission[4].

(2) actions other than regulation be considered to help reduce waste, including education initiatives, and website-based advice services.

(3) market driven and industry-led solutions for waste management such as voluntary product stewardship schemes be encouraged, with monitoring of outcomes.

(4) any Government action aimed at reducing waste below normal business practice should be funded through general taxation.

[4] Productivity Commission 2006, *Waste Management,* Draft Report, Canberra.

3.0 Section 1: General Discussion

3.1 Business New Zealand appreciates that the general intent behind the Bill is to ensure that “waste” is minimised and the potential for adverse effects from waste is reduced through encouraging recycling etc.

3.2 While the above objectives might be laudable, they don’t provide any sort of sound basis for why provisions should be made for mandatory waste levies, or for the other interventions outlined in the Bill.

3.3 There is an “optimal” amount of waste, just like there is an optimal amount of resources that should be spent on crime prevention etc. Waste cannot be completely eliminated, not at least without great cost. Waste may be able to be reduced, but beyond a certain point the marginal cost of taking action to minimize waste becomes progressively higher, while the potential returns from taking action become less. In this respect it pays for companies and individuals to invest in waste minimisation strategies up to the point at which the marginal cost equals the marginal benefits of taking action.

3.4 Before coming to any decisions as to the merits or otherwise of the interventions proposed in the Bill, it is crucial that policymakers take a step back and ask some fundamental questions. These include – but are not limited to:

- Is there a problem *in New Zealand* with current waste management systems (i.e. are there significant issues of “market failure” which need to be addressed)?
- If there is a problem, is the problem significant?
- What are the costs and benefits (including unintended costs) of the proposals outlined in the Bill?
- What are the potential options to improve outcomes which don’t impose significant costs (e.g. by improving information to market participants)?

3.5 As a general principle, individuals and companies should bear the full costs associated with their behaviour (i.e. costs should be internalised) or individuals will over-consume resources if they can shift costs onto third parties. Waste minimisation is no different in this respect. In order for individuals to make rational decisions in respect to waste minimisation, they should ideally bear the costs (and benefits) associated with specific options/outcomes. On the other hand, if individuals and companies are forced to pay greater amounts than any costs those individuals and businesses impose, the outcome will be either more expensive items, which will ultimately be reflected in prices to consumers, and/or reduced choices for consumers to buy products which meet their unique preferences.

Market Failure – a possible case for government involvement?

3.6 Before determining whether mandatory waste levies and other interventions are justified as part of sound policy, it is first necessary to determine on what grounds government might decide to intervene.

3.7 Generally markets work best when left undisturbed by government interventions (e.g. regulation/taxes/expenditures). However, in certain circumstances markets do not perform their functions efficiently and government intervention may be justified.

3.8 It is important to determine conceptually what might be potential areas of “market failure” in waste management which might justify government involvement via waste levies (or similar taxes/interventions). Without analysing potential areas of market failure it is impossible to determine whether market failure is present, its extent, and what might be most appropriate mechanism to minimise it.

3.9 The following list provides a brief outline of the predominant “market failures” often quoted in economic literature which may have relevance to analysing government involvement in the waste market. It is not exhaustive as often the mere existence of unemployment is sometimes considered to be an example of “market failure”. Moreover, some so-called “market failures” are highly debatable such as “merit goods” which can be challenged on economic grounds. Other examples of market failure such as the case of monopolies are not considered relevant to the specific issue of waste management and so are not discussed further:[5]

Externalities;
Public Goods; and
Information failures

Externalities

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

3.11 Wherever there are such externalities, resource allocation provided by the market may not be efficient. If individuals and firms do not bear the full cost of the negative externalities they generate, they will engage in an excessive amount of such activities. Conversely, since individuals and firms do not reap the full benefits of activities generating positive externalities, they will engage in less than a socially optimal amount of these activities.

3.12 Government can respond to externalities in several ways. In some cases (mainly involving negative externalities) they can attempt to regulate or levy (tax) the activity in question. Alternatively, the government can encourage activities where positive externalities are created, for example, through subsidies or cash payments or other support mechanisms to people participating in such activities. Often these are “output” based to encourage increased production or supply of the positive externalities.

[5] Merit goods are goods or services which some members of society do not consume enough of, according to the judgement of a select group. The policy implication is that people should be encouraged (or forced) for their own good to consume more than they themselves would freely choose to consume. Just as there are so-called merit goods, there are also so-called merit bads with proponents advocating less consumption through direct regulation and/or targeted taxes. The merit good/bad argument for intervention is extremely paternalistic.

3.13 Notwithstanding the above, virtually every activity has spillover (externality) consequences which do not necessarily justify government involvement to address such externalities. For government involvement to be justified in any particular case, it needs to be shown that the externalities are particularly large, and that the benefits of government support (subsidies) or discouragement (taxes) is warranted.

Public Goods

3.14 Perhaps the strongest argument of market failure can be found in the case of "public goods". Public goods are effectively those activities which people cannot be excluded from and the benefits to one person do not reduce the benefits to another.

3.15 The issue with public goods is that market participants will under-invest in these activities because they cannot appropriate most of the benefits associated with investment. In this respect, from society's point of view, firms will under-invest in such activities to the detriment of the nation as a whole. To overcome this, government will often step in to either produce the goods themselves or contract the private sector to provide goods for a fee.

Information Failures

3.16 In some markets there can be cases where one participant in the market for exchange knows more about the quality of the product than the other participant. This is called 'asymmetric information'. It is often considered relevant in the case of health care where a doctor may be able to disguise the quality of their patient treatment given their superior knowledge.

3.17 It should be noted that 'asymmetric information' is not only relevant in the field of health care but also in a host of other 'markets' for goods and services, yet generally government has seen fit not to intervene in these markets.

3.18 Given the above considerations, the potential case of "market failure" in terms of waste management which might justify government involvement tends to focus on the issue of externalities, i.e. where the full costs of disposal are not borne by the person or company disposing of waste.

3.19 However, when one examines the literature in New Zealand and elsewhere, externalities associated with landfills appear to be minimal and certainly do not justify introducing mandatory waste levies over and above normal "gate" costs associated with disposal of waste at dump sites.

3.20 Martin Ward, in a report prepared for the Ministry for the Environment "Issues Associated with a Levy on Solid Waste – A Review of Positions and Possibilities" (1 March 2006), outlines some of the "facts" in respect to waste in NZ (p.9 of his report).

3.21 While not repeating all of them here, some of the more crucial ones are:

- *"national wide waste volumes to landfill are not rising significantly;*
- *most Territorial Local Authority landfills are charging at or above full cost level;*
- *commercial landfills charge some customers at less than full cost for competitive and operational reasons;*
- *many landfills are privately owned and by definition charge at a rate to make a profit; most do; and*
- *there has been a very strong trend to fewer, newer and larger landfills in New Zealand and it is expected to continue."*

3.22 A recent report by the Australian Productivity Commission[6] states that the externalities associated with modern landfills are considered to be very minor. Moreover, the report found that where there were externalities, such as the potential for greenhouse gases, these issues were best addressed through a national response to greenhouse gas emissions. This would reduce the risks of sectoral distortions in response to greenhouse gas emissions.

3.23 The above conclusions raise serious concerns with the proposals outlined in the Bill. Without further analysis the grounds for progressing with interventions such as waste levies is weak.

[6] Productivity Commission 2006, *Waste Management,* Draft Report, Canberra.

3.24 For those who would argue that government intervention to promote recycling over and above what would occur through normal commercial disciplines as a mechanism to promote employment growth, the Productivity Commission Report is again instructive. *"Using a net social benefit approach, any extra jobs required for recycling count as a cost (for wages, superannuation etc), not a benefit. Extra jobs in the recycling industry would be expected to mainly replace jobs elsewhere in the economy, rather than reducing unemployment."*

3.25 Business NZ is clearly of the view that any decision to move to introduce waste levies (locally, regionally or nationally) or any of the other proposals in the Bill, should be subject to a thorough and independent cost/benefit analysis along similar lines to the Australian Productivity Commission report on Waste Management.

3.26 While there are significant differences between the economies of New Zealand and Australia, the Productivity Commission Report's "Key Points" should be clearly understood.

3.27 Some of the key points in the Productivity Commission report which have particular application to New Zealand include:

> *"Waste management policy should be guided by best practice approaches to policy development, namely that objectives are clarified; all expected costs and benefits of different options are considered; and the policy selected that gives the best return to the community"*
>
> *"Waste management policy should focus on the environmental and social externalities associated with waste disposal, not upstream issues"*
>
> *"State and Territories have adopted a range of polices to minimize waste and maximize recycling. Some aspire to eliminate waste altogether. This is unrealistic and can lead to perverse outcomes if recycling is pursued at any cost"*
>
> *"Residual levels of externalities from modern, fully complying landfills appear to be small"*
>
> *"Greenhouse gas externalities from landfill should only be addressed within a broad national response to greenhouse gas abatement"*

"Getting prices for waste disposal right will help to reduce waste generation and achieve an appropriate balance between disposal and recycling. Basic forms of 'pay as you throw' pricing for municipal waste, such as charging for larger bins or more frequent services, should be more widely adopted."

"The case for using landfill levies [in addition to "gate" fees] to address externalities is weak. They should not be used to drive the achievement of arbitrary recycling targets nor as revenue raising devices.

"Waste management policy in Australia needs to be refocused. Policy makers and community attitudes need to be guided by open rigorous analysis of costs, benefits and risks, if waste management measures are to best service the community"

Source: Productivity Commission Report – p. XXII

3.28 Given the case for waste levies is weak as outlined in the above discussion, "supporting" interventions as those outlined in the Bill (the establishment of a Waste Minimisation Authority, Waste Control Authorities, Prohibition on disposal of materials, Extended producer responsibility, Organisational waste minimisation plans, Public procurement policy and Public reporting) are similarly unjustified.

Business New Zealand **<u>recommends</u>** that:

the Waste Minimisation (Solids) Bill not proceed.

Without prejudice to the above recommendation:

Business New Zealand **<u>recommends</u>** that:

(1) if the Bill is to proceed, then at minimum, a thorough independent cost/benefit analysis be undertaken along similar lines to the recent report by the Australian Productivity Commission[7].

(2) actions other than regulation be considered to help reduce waste, including education initiatives, and website-based advice services.

[7] Productivity Commission 2006, *Waste Management,* Draft Report, Canberra.

(3) market driven and industry-led solutions for waste management such as voluntary product stewardship schemes be encouraged, with monitoring of outcomes.

(4) any Government action aimed at reducing waste below normal business practice should be funded through general taxation.

4.0 **<u>Section 2:</u>** **<u>Specific Comments on the Bill</u>**

4.1 Notwithstanding Business NZ's recommendation that this Bill not proceed, outlined below are some of the more concerning aspects associated with specific clauses in the Bill. It should be noted that the following issues are not an exhaustive list but a focus on some of the more draconian and problematic aspects of the Bill.

Part 1 - Preliminary Provisions

Clause 3: Purpose

4.2 This clause states that *"the purpose of this Act is to protect the environment by minimising the amount of material resources used and the amount of solid waste disposed of in landfills….in line with targets and dates to be set…."*

4.3 This purpose statement provides no consideration of what an "optimal" amount of waste might be, or indeed if there are any significant externalities associated with current waste disposal which businesses and individuals are not already bearing.

4.4 As mentioned in section 1 of this submission, there is evidence that in general, individuals and businesses are bearing the full costs associated with disposal and there is no justification for further additional levies on, for example, landfills.

4.5 The Productivity Commission Report was instructive on this point: *"The case for using landfill levies to address externalities is weak. They should not be used to drive the achievement of arbitrary recycling targets nor as revenue raising devices".*

Part 2 - Waste Minimisation Authority

Clause 8: Functions

4.6 Clause 8 provides a very wide range of functions for the proposed Waste Minimisation Authority (the Authority), including setting targets and timeframes for the reduction of waste.

4.7 The functions envisaged effectively give the Authority huge scope to influence directly how businesses operate, without any accompanying controls on how those functions are carried out. For example, there are no controls on when there might be intervention or to what extent. This is particularly dangerous given the potential for such an Authority to be captured by vested interest groups who would not pay directly (or even indirectly) for the costs associated with increased regulation but may well benefit commercially from such regulation.

4.8 The powers provided to the Authority (clause 9) essentially give unlimited scope for the Authority to carry out its functions if such powers are used for the purposes outlined in clause 8.

Clause 10: Authority to comply with Government policy and Minister's directions

4.9 While this clause could be seen as providing a safety valve on the powers and functions of the Authority given that they must give effect to Government policy and the Minister's policy decisions, with no sound framework in which the Authority must operate, the potential for the Authority to expand its role is a significant risk. This might be at the instigation of the Authority itself or alternatively through the direction of the Minister. Without clear definitions, the scope for regulatory creep is enhanced.

Clause 12: Eligibility for appointment as member of Authority

4.10 The Minister, when appointing members the Authority must have regard for the need for a wide range of skills as outlined in clause 12(2). There is a lack of any mention of the desirability of knowledge and experience in "economics" which would seem a significant oversight given that there may well be significant and important economic questions in respect to determining the "optimal" amount of waste, and the trade-offs which may have to be made between greater regulation and control, and the economic costs on the business sector and ultimately the New Zealand economy.

Part 3 - Waste Control Authorities

Clause 22: Waste minimization and management plans

4.11 The requirements proposed on Waste Control Authorities (clause 22) are nothing short of draconian and particularly intrusive. While the supporters of such proposals may well have good intentions, the outcomes are likely to be perverse. For example, the potential for individuals and businesses to increase illegal dumping of waste may well be enhanced.

Clause 23: Powers in respect of waste minimisation and management

4.12 The scope for Waste Control Authorities to utilise waste levies to set up subsidised waste minimisation businesses would appear to be without limit with the funders of such levies having no say in how their levies are set or perhaps equally importantly, what they are to be used for.

Clause 24: Bylaws

4.13 Not only would Waste Control Authorities be able to set up waste minimisation businesses with the option of funding the businesses from waste levies (Clause 23) but they could also make bylaws impacting on a number of areas. In general, it is sound policy to assist with transparency by having regulators and operators clearly demarcated. In this case the Waste Control Authority will essentially set the rules, collect the levy and potentially operate the business. This puts it in the position of being referee, player and third umpire in the same market – hardly an ideal mix to ensure transparency.

Clause 28: Allocation of Costs

4.14 Business NZ supports the internalisation of costs so that individuals and business face the costs associated with their behaviour. As mentioned in Section 1, the internalisation of costs is important in ensuring that resources are used efficiently.

4.15 Nevertheless, as also discussed in Section 1, imposing costs over and above those costs which individuals and firms should bear will result in a misallocation of resources. Costs will rise and individuals will either pay higher prices for goods and services than they otherwise would or the choice of goods and services available which reflect unique consumer preferences will be inhibited.

4.16 Business NZ has grave concerns with Clause 28 (2) which implies that the costs of dealing with non-residual waste and *"meeting other objectives of the [waste minimisation and management plan] may be met from specific rates imposed for this purpose or by further charges on producers of residual waste or a combination of both"*

4.17 In effect, this means that even though producers of residual waste may be paying the full cost associated with their behaviour, they may well be required to subsidise the activities of other businesses or bureaucracy required in achieving the objectives of the waste management plan. This clearly defies a basic tax principle of "no taxation without representation". As stated in one of Business NZ's recommendations: *"any Government action aimed at reducing waste below normal business practice should be funded through general taxation."*

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Clause 31: Grants

4.18 This clause provides a significant opportunity for some businesses and other groups to lobby for funds to prop up their waste minimisation business activities to the potential detriment of existing business that will be required to pay waste levy to fund such activities. The costs of disposal are largely internalised, there is no justification for imposing significant levies on businesses or using such monies to subsidise any projects that the Waste Control Authority thinks fit.

Part 4 – Prohibition on disposal of materials

Clauses 33 - 36:

4.19 The purpose of this Part, and clause 33 in particular, is to prevent materials which can be reused, recycled etc from being disposed of in waste disposal facilities.

4.20 While a number of companies already provide for collection of certain items once they are no longer of use to the consumer, this Part of the Bill fails to appreciate the potential costs imposed on businesses or individuals achieving the purpose set out in clause 33. The nature of New Zealand including population bases and terrain are obviously significant factors in determining whether or not it is even practicable to consider such regimes, quite apart from their lack of economic justification.

Part 5 – Waste disposal levy

4.21 Section 1 of this submission outlined the reasons why the justification for mandatory waste levies is weak. The arguments are not repeated here.

Clause 41: Amount of Levy

4.22 Business NZ notes that the levy is initially proposed to be set at a rate of $25 per tonne, although as it appears that operators of disposal facilities will be able to set different rates for different types of waste, it is assumed that the average will equate to around $25 per tonne. This is likely to equate to around $100 million per annum across the economy.

4.23 A "national" charge across the board would take no account of the unique circumstances of waste management in New Zealand. For example, the density of population, the availability of landfills etc. The costs associated with waste management may differ significantly from area to area and the consequences of "waste" are not likely to be uniform across the country.

Clause 42: Itemisation of levy

4.24 Clause 42, along with other clauses in Part 5 of the Bill (e.g. clause 39) could impose significant compliance costs on operators of disposal facilities ensuring they are in compliance with the reporting requirements imposed by the Waste Control Authority.

Clause 43: Payment and apportionment of levy

4.25 It is noted that every Waste Control Authority must provide to the Waste Minimisation Authority, on a monthly basis, 50% of the amount of levies it receives.

4.26 While it would appear that the figure of 50% is plucked out of the air, the danger is that those that pay for such levies (those who dispose of waste), may not necessarily be the beneficiaries of such funding. There is no connection at all between the "payers" and the recipients of any benefits as the levy transferred to the Authority will be used to fund the establishment, ongoing operations, and functions, of the Waste Minimisation Authority.

4.27 Moreover, there would appear to be strong incentives for the Waste Minimisation Authority to utilise the full amount of the levies it receives from Waste Control Authorities without regard to the costs and benefits of doing so.

Clause 45: Evaluation effectiveness of levy

4.28 This clause requires the Minister to assess annually the effectiveness of the levy in decreasing the disposal of waste and use of resources, using criteria to be determined by the Authority.

4.29 Clause 45(3) states that if the levy is not proving effective in decreasing the amount of waste being received by disposal facilities the Minister must recommend both an increase in the levy by at least 50% and an investigation into why the levy has not been effective.

4.30 Disposal of waste may be driven by a significant range of factors e.g. the changing nature of the economy (new products/processes etc) or the extent of economic growth in the economy and those industries driving the growth. In this respect it is unlikely that growth in the economy will lead to uniform increases or decreases in waste as these will be driven by a range of factors, including but not limited to competitive pressures.

4.31 Therefore, because the amount of waste being disposed of increases (or decreases) will not, of themselves, show whether the waste levy is effective or ineffective.

Part 6 – Extended producer responsibility

Clauses 48 - 63

4.32 Business NZ notes that the purpose of Part 6 is to require producers of goods to take responsibility for their products throughout their lifecycle and to avoid disposal of the products when they become no longer useful to their customers.

4.33 A number of companies undertake voluntary product stewardship schemes for a number of reasons including developing “brand-names” and for some, it makes sound commercial sense.

4.34 Business NZ does not support mandatory product stewardship schemes but is very supportive of voluntary industry-led schemes which are driven by sound commercial disciplines.

4.35 Requiring producers to meet some responsibility for end-of life waste management could encourage them to take action to reduce costs and could result in improved design so that product production uses fewer resources. While a laudable objective, this fails to take account of the overall efficiency of resource use.

4.36 For example, it is possible to reduce energy consumption in houses through mechanisms such as double-glazing of windows etc. This might result in less energy consumed but will require significant up-front capital resources and costs to households in the form of paying for the double-glazing. Similarly in respect to energy efficiency in household appliances, while new technologies may mean less energy consumed, they may come at a greater overall cost to the consumer in terms of the price of products. In this respect, it is important to look at the overall efficiency of the economy (total costs of production and output produced) rather than simply looking at the "technical" efficiency associated with one particular product.

4.37 In the early stages of product development, the capital costs associated with new technologies can be particularly high. "Requiring" producers to bear the full costs associated with end-of-life waste management could well result in significant increased initial costs to consumers and possibly a limitation in the choice of products available to consumers that reflect their unique circumstances (e.g. income, lifestyle choices etc).

4.38 Business NZ strongly supports the advantages of retaining the status quo in terms of product stewardship. Current product stewardship schemes are voluntary, industry-led, and allow for flexibility for both producers and consumers to meet market expectations in a flexible and cost-effective manner without the need for Government involvement.

4.39 Given that product stewardship schemes are driven by individual companies or the industry in some cases, they are tailored in such a way as to maximise returns and minimise costs. Obviously, companies have a range of reasons for entering into such schemes unlikely to be driven by short-term monetary return alone but for marketing and brand-name purposes as well.

4.40 This Part of the Bill is particularly draconian with significant requirements on brand-owners to meet significantly onerous obligations in respect to product stewardship. The net result will be an increase in product cost and/or a reduction in product choice over time. Neither of these two outcomes is likely to benefit New Zealand consumers nor improve the international competitiveness of New Zealand businesses.

4.41 Competition restrictions will result if New Zealand consumers can no longer purchase products from overseas because no appropriate product stewardship regime is in place and large New Zealand businesses may be encouraged to lobby the Waste Minimisation Authority to require product stewardship schemes to be developed in their particular sector to protect them from competition from imports or other businesses thinking of entering the market. The consumer will be the ultimate loser.

4.42 Clause 55 states that the Director (CEO) of the Waste Minimisation Authority may set targets for the reduction in waste generated in association with the manufacture, distribution, use, and end-of-life of a product.

4.43 The outcome of such intervention will undoubtedly be a reduction in the range of products available to meet consumer preferences, and an increase in associated costs. The development of new products and processes if such mandatory targets impact on the flexibility of business operations will be stifled not encouraged.

4.44 Business NZ believes that mandatory product stewardship schemes should not be considered further given the potential costs to both producers and consumers, the potential for reduced consumer choice in respect to purchasing products which meet consumers' unique preferences, and the potential to reduce innovation in product development. Such schemes would ride roughshod over the ability of producers to meet the market demands of their customers. They represent nothing short of centralised planning in the production of goods (and potentially services) and have no place in an economy striving to improve its international competitiveness through constant innovation and review of production techniques.

Part 7 – Organisational waste minimisation plans

Clause 65: Organisational waste minimisation plans

4.45 Clause 65 will progressively require every business or public organisation to implement an organisational waste minimisation plan.

4.46 This requirement is an unnecessary imposition on the business sector of New Zealand given that businesses already have very strong incentives to minimise the amount of waste they produce given that most, if not all, firms face significant domestic, and more importantly, international competition. In this respect businesses will automatically invest in waste minimisation strategies up to the point at which the marginal cost equals the marginal benefits.

4.47 Some businesses will invest in waste minimisation strategies more than others for a significant number of reasons. Requiring all businesses to develop and implement waste minimisation plans would be an unnecessary and notable compliance cost burden, particularly for smaller business (those with under 10 employees) which make up the vast majority (around 95%) of all businesses.

4.48 If there is no justification for imposing waste minimization schemes on small businesses, neither is there any justification for targeting large businesses. Large businesses generally, already face the full costs associated with disposal of waste.

Part 8 – Public procurement policy

Clause 69: Public organisations to support markets for goods and services that reduce waste

4.49 This clause would require all public sector organisations purchasing goods to give preference to those goods and services that in themselves facilitate a decrease in waste generation.

4.50 Business NZ notes that in deciding which products to purchase, any consideration of the difference on cost of the products must not influence the decision unless it amounts to more than 33% of the least cost option.

4.51 Putting aside issues such as defining what is meant, the potential cost on New Zealand taxpayers could be significant. Perhaps more importantly, the ability to acquire goods fit for the intended purpose could well be compromised.

4.52 The economy does not stand still. What good and products may be appropriate in the current environment may well not be appropriate given future technological advances. Every organization must be able to purchase goods based on the unique needs of the business (whether public or private).

Part 9 – Public reporting

Clauses 70 – 72

4.53 Requirements on public organisations to provide the public with information on what they have done in terms of decreasing their waste generation and resource use is simply an added cost to taxpayers, particularly as the taxpayer will ultimately be required to bear the costs associated with these draconian requirements.

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 61 member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.

Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). An increase in GDP of at least 4% per capita per year is required to achieve this goal in the medium term.

The health of the economy also determines the ability of a nation to deliver on the social and environmental outcomes desired by all. First class social services and a clean and healthy environment are possible only in prosperous, first world economies.