

Submission by



to the

**Ministry for the Environment**

on

**Proposals for a new waste strategy**

**Issues and options for new waste legislation**

December 2021

## **SECTION 1.0      INTRODUCTION**

- 1.1 BusinessNZ welcomes the opportunity to comment on "*Proposals for a new waste strategy – Issues and options for new waste legislation ("The Discussion Document")*".
- 1.2 BusinessNZ acknowledges the objective set out in the Message from the Minister: "*The Government is committed to building a low-carbon, circular economy that protects the environment for future generations. We need to take clear and decisive action. Focusing on waste is a good place to start*" (p.6)
- 1.3 The above statement is one the broader business community, suppliers and consumers increasingly aspire to. Industry and others have made a huge effort to look seriously at how their businesses impact on the waste stream and have learnt how changing practices can result in significant environmental gains.
- 1.4 BusinessNZ acknowledges that the management of waste needs to be considered in the context of a circular economy rather than the traditional linear 'take-make-dispose' model. This paradigm shift is gaining traction not only in New Zealand, but increasingly world-wide as resource constraints start to impact on behaviour, along with changing consumer demands.
- 1.5 As outlined in the Discussion Document, globally, waste management is being looked at closely following China's decision to close its borders to the world's low-quality recyclables. More and more countries are imposing specific packaging standards and requiring content recycling as part of normal trading activity. New Zealand is not immune from these developments.
- 1.6 The above issues quite rightly focus attention on New Zealand businesses and households and whether they are doing enough to reduce waste and the extent to which more recycling is needed.
- 1.7 Given the diversity of BusinessNZ membership, some members and sectors will have specific issues they wish to comment on in more detail. Therefore, we have encouraged individual members and sector representatives to make their own submissions raising those issues specific to their areas of interest.
- 1.8 This submission comprises 3 further sections: First, a general discussion of waste policy or more importantly, the framework that should drive any regulatory intervention. Second, the conceptual issues needing to be considered. Third, specific comments on some, but not all, of the questions posed in the Discussion Document. It should be noted that responses to the Discussion Document questions take cognizance of the issues raised in Sections 2 and 3 of the Submission.

1.9 BusinessNZ would be happy to meet with MfE to discuss our submission in more detail, should officials consider such a meeting would be helpful.

## **SECTION 2: DISCUSSION ON THE FRAMEWORK FOR WASTE POLICY**

- 2.1 Before coming to any decisions as to the merits or otherwise of regulatory intervention in the market for waste, 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 any regulatory proposals?
  - What are the potential options for improving outcomes which don’t impose significant costs (e.g. improving information, including greater transparency in pricing signals to market participants)?
- 2.2 As a general principle, individuals and companies should bear the full costs of their behaviour (i.e. costs should be internalised) as there will be an over-consumption of resources if costs can be shifted on to third parties. Waste minimisation is no different. If rational decisions are to be made about waste minimisation, those involved should ideally bear the costs (and receive the benefits) associated with specific options/outcomes.
- 2.3 It is important to understand that there is an optimal amount of waste, just as there is an optimal amount of resource that should be spent on crime prevention etc. Waste cannot be eliminated completely, at least not without great cost. Waste reduction might be possible but beyond a certain point the marginal cost of waste minimisation becomes progressively higher, while the potential returns reduce. Economies of scale are often important when dealing with certain waste streams, particularly relevant for smaller businesses facing the disproportionate cost of having waste and recycling companies pick up smaller amounts of recyclable or specialised waste.
- 2.4 Business New Zealand understands that the Discussion Document’s general intent is to ensure waste is minimised to the greatest extent possible and its potentially adverse effects reduced. Nevertheless, many of the proposals in the Discussion Document are very much at a conceptual level and therefore require more detail and consultation before meaningful input can be provided.
- 2.5 But taking appropriate action will be dependent on a range of factors and certainly a one-size-fits-all approach is unlikely to be either efficient or cost effective.

- 2.6 Before any regulatory approach is considered, it is first important to fully understand the nature of the problem, who is affected, the cost involved and who bears that cost. Regulatory intervention should generally be considered a last, not a first, option to be invoked only when all cost-effective approaches have been exhausted.
- 2.7 The following list provides a brief outline of the predominant market failures often quoted in the economic literature. These may have relevance when analysing government involvement in the waste market.

Externalities  
Public Goods  
Information failures

- *Externalities*

- 2.8 Externalities (or spillovers) lead to a divergence between private and social (public) costs and benefits, where private refers to the costs and benefits to those participating in market transactions, and social refers to the costs and benefits to all members of society.
- 2.9 Where there are externalities, market resource allocation may not be efficient. Individuals and firms that do not bear the full cost of the negative externalities they generate will engage excessively in such activities. Conversely, since individuals and firms do not reap the full benefit of activities generating positive externalities, they will engage less in those activities than is socially optimal.
- 2.10 Governments can respond to externalities in several ways. In some cases (mainly involving negative externalities), they can attempt to regulate or impose a levy or tax the activity in question. Alternatively, a government can encourage activities where positive externalities are created, for example, through subsidies, cash payments or other support mechanisms to people participating in particular activities. Often such encouragement is output-based and intended to increase the production or supply of the positive externalities.

- *Public Goods*

- 2.11 Perhaps the strongest market failure argument relates to public goods. Public goods are effectively those activities from which people cannot be excluded and where the benefits to one person do not reduce the benefits to another.
- 2.12 Market participants will under-invest in public goods because they cannot appropriate most of the benefits of investment. So, from society's point of view, firm under-investment will be to everyone's detriment. To overcome this, governments will often step in to produce the goods in question or will contract the private sector to provide the goods for a fee.

2.13 Notwithstanding the above, it is often possible for the private sector to provide what are considered to be "public goods" (like lighthouses) by providing for the ability to tax shipping lines and/or charge port berthing fees.

- Information Failures

2.14 There are times in a market for exchange where one participant knows more about the quality of the product than does the other. This asymmetric information is often relevant in relation to health care where doctors, with their superior knowledge, may be able to disguise the quality of the treatment they provide.

2.15 Asymmetric information is not only relevant in the field of health care but also in a host of other markets for goods and services where, generally, government has seen fit not to intervene. Moreover, a direct intervention may often be less warranted or even inefficient compared with just having the government publicise information.

2.16 Given the above considerations, the case for potential waste management market failure, possibly justifying government involvement, will tend to focus on the externalities issue, i.e. where the person or company disposing of the waste does not bear the full costs of disposal.

## **SECTION 3.0      CONCEPTUAL ISSUES WHICH NEED TO BE CONSIDERED**

3.1 Notwithstanding the framework outlined above, there are several issues associated with waste requiring consideration at a conceptual level. These issues are briefly outlined below (some raised to varying degrees in the Discussion Document) and include legacy, timing of change, geographical and population understanding, infrastructure requirements, transparency of waste pricing, and the allocation of costs.

### **Legacy issues**

- 3.2 Legacy issues, and more particularly, how to pay for them, are important.
- 3.3 For example, tyre stockpiles or on-farm chemical stockpiles may be significant from a cost/management point of view and account will need to be taken of them.
- 3.4 As a general principle, any changes to the law should not apply retrospectively and accepting that, the cost of dealing with legacy issues will be something to be considered.
- 3.5 While some might consider the individual or company in control of specific goods should bear the costs of disposal and recycling etc, effective incentives will be needed to ensure products no longer fit for purpose but potentially hazardous are disposed of properly. A policy that imposed a significant cost could, for example, encourage the disposal of hazardous substances inappropriately to avoid the expense of compliance.
- 3.6 For the above reason, it might be necessary to have an amnesty, perhaps funded out of general taxation, for certain products, providing for their collection at minimal or no cost to the user. This, to date, is how other environmental legacy issues have tended to be dealt with, generally relatively successfully.

### **Timing of change**

- 3.7 Any regulatory changes adopted must reflect the nature of the products involved and their respective markets.
- 3.8 Again, while not supporting (or opposing) specific regulatory interventions in respect to waste per se, BusinessNZ recommends that care is taken to ensure market processes, and the cost of necessary infrastructure, are clearly understood.
- 3.9 To this end, BusinessNZ is heartened that the Discussion Document accepts the importance of having all the market participants in the room to ensure

outcomes are clearly understood if broad buy-in from all sectors is to be achieved to the extent possible.

### **Understanding of geographical and population issues**

- 3.10 New Zealand is a relatively small, mountainous country with a relatively low population base (5 million). While, significantly, close to 2 million people live in the Auckland region, the population base is generally widespread, particularly in the South Island, and this is likely to make it more costly and at times impractical, to require greater recycling effort.
- 3.11 For example, given a small and widespread population base, it might be economically impractical to require every product sold to abide by product stewardship rules. The sheer cost of moving say, tyres from an isolated area for recovery/recycling etc. must be considered. As noted, there will be an optimal amount of waste; 100% recovery for all products at the end-of-life stage will likely be impractical.

### **Transparency of waste pricing signals**

- 3.12 BusinessNZ would like to raise a particular concern regarding the broad absence of the sound pricing information which would encourage individuals and households to make rational choices between recycling and disposal.
- 3.13 BusinessNZ considers much more effort needs to be made to send households economically transparent pricing signals for rubbish collection and disposal. Many councils still fund these activities out of general rates so there is little apparent connection between the amount of rubbish disposed of and the costs households face. This point was made very strongly in the Australian Productivity Commission report on *Waste Management*:

*"Getting prices for waste disposal right will help 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."* (Australian Productivity Commission)

- 3.14 The Australian report also recommended that information on the actual cost of these services should be better communicated to households and recommended abolishing landfill waste levies (taxes) as these are not based on legitimate cost.

### **Allocation of Costs**

- 3.15 BusinessNZ supports the internalisation of costs, so individuals and businesses face the costs associated with their behaviour. As mentioned in Section 1,



the internalisation of costs is important to ensuring that resources are used efficiently.

- 3.16 Nevertheless, imposing costs over and above those 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.

## **SECTION 4.0      COMMENTS ON THE SPECIFIC QUESTIONS IN THE DISCUSSION DOCUMENT**

- 4.1 There are many questions outlined in the Discussion Document (summarised on pages 81 and 82). BusinessNZ has deliberately focused only on those questions and issues likely to be of particular significance to the broader BusinessNZ Membership. As stated up front in this submission, given the diversity of BusinessNZ's membership, some members and sectors will have specific issues they wish to comment on in more detail. Therefore, we have encouraged individual members and sector representatives to make their own submissions raising those issues specific to their areas of interest.

### **Part 1:      Why we need to transform our approach to waste**

#### **Q1:    Do you think changes are needed in how Aotearoa New Zealand manages its waste?**

- 4.2 NZ faces a number of challenges, as outlined in the Discussion Document, in respect to waste issues from changing consumer behaviour to better recognition of the potential externalities associated with waste disposal. It is therefore important that a rigorous approach is taken to understanding the nature of the problem, including its significance and what the appropriate response might be – from education through to a more significant regulatory response.
- 4.3 As has been emphasised, as a general principle, individuals and companies should bear the full costs of their behaviour (i.e. costs should be internalised) as there will be an over-consumption of resources if costs can be shifted on to third parties. Waste minimisation is no different. If rational decisions are to be made, those involved should ideally bear the costs (and benefits) associated with specific waste minimisation options/outcomes.

#### **Q2:    Do you support tackling our waste problems by moving towards a circular economy?**

- 4.4 While the concept of the circular economy makes intuitive sense, it is important to understand that there is an optimal amount of waste, just as there is an optimal amount of resource that should be spent on crime prevention etc. Waste cannot be eliminated completely, at least not without great cost. Waste reduction might be possible but beyond a certain point the marginal cost of waste minimisation becomes progressively higher, while the potential returns reduce. Economies of scale are often important when dealing with certain waste streams and are particularly relevant for smaller businesses facing the disproportionate cost of having waste and recycling companies pick up smaller

amounts of recyclable or specialised waste. Moreover, there are inevitable trade-offs that will need to be made. Is the objective 'zero waste' or is it net zero carbon emissions? There are circular economy initiatives that will emit carbon but deliver reusable, recycled or other value-add products. In this respect, it is important that waste minimization policies consider life cycle carbon emission and do not create perverse incentives for high carbon-intensity recycling processes.

## **Part 2: Proposed new waste strategy for Aotearoa New Zealand**

### **Q3: Do you support the proposed vision?**

- 4.5 While the optimal use of resources is supported, it could be argued that the last point under vision, "*A land where nothing is wasted*", could be subject to various interpretations. While it is understood that this is a vision statement, policy decision-making must clearly reflect the reality that there will be an optimal amount of waste reduction (as noted in the previous section). "Zero waste" might to be a worthy vision or objective but it is unlikely to be attainable – at least without significant cost and a significant impact on businesses, households, and individuals.
- 4.6 Business NZ generally supports the concept of aspirational goals for waste minimisation over time but there is little if any indication in the Discussion Document as to why the various reduction targets outlined in Table 1 (p.38) are appropriate. Why not 5 percent or 50 percent?
- 4.7 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 growth both in the economy itself and in those industries driving the growth. In this respect it is unlikely that economic growth 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.
- 4.8 As must be repeatedly emphasised, there is an optimal amount of waste and this is best addressed through ensuring individuals, households and businesses pay the full costs associated with waste disposal – no more, no less.
- 4.9 Currently, waste disposal pricing is fraught with difficulty and significant cross-subsidisation, with households generally paying for it out of general rates and little incentive to ensure they face the true (user-pays) cost of disposal.

**Q4: Do you support the six core principles, or would you make changes?**

- 4.10 In broad terms, the six core principles are supported but it is important to understand the nature of the risk inherent in determining whether intervention is required in specific markets, beyond what businesses and households would do under the pressure competitive markets face. Again, it is important to understand clearly the nature of the problem, what the costs and benefits are of taking action (or non-action), and who bears those costs. Without a clear framework for understanding the role (if any) of government in this market, as considered in Section 1 of this submission, many proposed government actions could lack economic validity. For example, reducing waste should not necessarily be seen as an end in itself without consideration of the full ramifications (including distributional cost) of decisions which impact on the costs facing businesses, households, and ultimately individuals.

**Q5: Do you support the proposed approach of three broad stages between now and 2050, and the suggested timing and priorities for what to focus on at each stage?**

- 4.11 Again, it is important to understand the risks (including costs and benefits) of taking a particular course of action. It is not really clear whether improved waste outcomes will be the result of market-driven responses (normal commercial imperatives) or whether as a result of greater regulatory intervention. The various options could produce significant differences in the costs and freedoms facing consumers when it comes to specific products that reflect their individual preferences.

**Q8: What are the barriers or roadblocks to achieving the stage one actions, and how can we address them?**

- 4.12 Refer to comments made above under Section 3 - CONCEPTUAL ISSUES WHICH NEED TO BE CONSIDERED.

**Part 3: Developing more comprehensive legislation on waste: issues and options**

**Q11: Do you think new legislation should require the government to have a waste strategy and periodically update it?**

- 4.13 On balance, it could be considered a worthy objective for the Government to develop a waste strategy which clearly articulates what, in relation to waste, the issues are which require addressing, and how best to ensure individual, economic, social, environmental and cultural well-being is maximised. There is a danger that without a comprehensive waste strategy, ad hoc decisions will be taken on waste management issues which could be costly and create uncertainty for businesses, households and individuals.
- 4.14 As with any strategy, it will be important to update it as new information comes to hand.

**Q13: How strongly should the strategy (and supporting action and investment plans) influence local authority plans and actions?**

- 4.15 If there is justification for a waste strategy, then it is important that it is reasonably consistent across the country but bearing in mind the matters referred to in Section 3 of the submission, particularly those relating to geographical and population differences across the country. In this respect, some flexibility will be required as a one-size-fits-all approach is unlikely to be appropriate in all cases.

**Q17: How should independent, expert advice on waste be provided to the government?**

- 4.16 There are many ways in which government can source independent advice, from informal channels through to more formalised approaches such as the use of the Waste Advisory Board (WAB) under the Waste Minimisation Act 2008.
- 4.17 One of the potential difficulties of a more formalised structure such as the WAB is the question of independence and the ability to comment on issues as the WAB sees fit. For example, under the Waste Minimisation Act, the WAB can comment only on issues referred to it by the appropriate Minister, a limitation which can be seen as unnecessarily constraining the WAB if free and frank advice is really wanted. Moreover, membership of the WAB is appointed by the Minister (on advice from MfE) so there is potential for membership to reflect the programmes and policies of the government of the day, rather than being based on technical competence.

**Putting responsibility at the heart of the new system**

**Q20: Do you see benefit in adapting the United Kingdom's duty-of-care model for Aotearoa New Zealand's waste legislation, supported by appropriate offences and penalties?**

- 4.18 There would be particular difficulties in adopting a one-size-fits-all approach to waste management without taking account of the various issues outlined in Section 3 of this Submission. All waste is not equal in terms of economic and environmental benefit (and harm) so if a duty of care is to be adopted then it should apply only to those issues and waste streams which have significant environmental problems and where the rationale for intervention is well accepted and understood.
- 4.19 Notwithstanding the above, there is also the potential for unintended consequences if regulation encourages perverse behaviour. For example, if the costs associated with waste going to landfill are considerably increased (for whatever reason), then there may be an incentive for people to fly-tip instead. Alternatively, if certain material is not accepted at landfill and there are limited or no other options for disposal/reuse etc, then it is possible people will store waste in an inappropriate manner.

**Q21: Do you support strengthening obligations around litter by creating an individual 'duty of care' to dispose of waste appropriately?**

- 4.20 While it would appear logical that there should be an individual duty of care to dispose of waste appropriately (as this is within the ambit of internalising the costs and benefits of behaviour), the important issue will be how far the responsibility is taken. For example, on p.51, it states that waste would only be able to be removed by an authorised collector. This seems to be an extreme position when many households take, for example, green waste to the local landfill for recycling into mulch etc.

**Q23: Do you support a nationwide licensing regime for the waste sector?**

- 4.21 No. Again, as above, a one-size fits-all approach will unlikely be appropriate in NZ, given the nature of our topography and in some regions, very dispersed populations. Its strong agricultural base and the importance of the farming

sector to the NZ economy means that what might well be considered logical for a highly populated and dense city might not be appropriate elsewhere. NZ should be cautious of adopting overseas systems without considering their ability to address this country's needs and differences.

**Q24: Should the new legislation include a power to require a tracing system to be developed for some or all types of waste?**

- 4.22 While there might be sense in having a tracing system for highly dangerous chemicals (and indeed a regime is already in place to deal with hazardous waste), there is little or no justification for having a tracing system for waste which is generally inert or that has little, if any, environmental impact. Applying a tracing system across all waste disposal processes would be regulatory over-kill and an unnecessary cost imposition on businesses and households. How such a system would be policed should also be considered.

**Improving legislative support for product stewardship schemes**

**Q28: How else could we improve the regulatory framework for product stewardship?**

- 4.23 Product stewardship must be considered in the context of a circular economy rather than on the basis of the traditional linear 'take-make-dispose' model. This paradigm shift is gaining traction not only in New Zealand, but increasingly world-wide as resource constraints start to impact on behaviour, along with changing consumer demands.
- 4.24 Waste policy in New Zealand and around the world is coming under increasing scrutiny. Local councils have been under the pump for not doing more to encourage recycling.
- 4.25 But taking appropriate action will depend on a range of factors and certainly a one-size-fits-all approach is unlikely to be either efficient or cost effective.
- 4.26 Before considering a regulatory approach, it is important to understand fully the nature of the problem, who is affected, the cost, and who bears that cost. Regulatory intervention should generally be considered a last, not a first, option, invoked only when all cost-effective approaches have been exhausted.
- 4.27 BusinessNZ is supportive of voluntary product stewardship schemes that allow industry to move more quickly and encompass direction required by customer and consumer preference than government does.

- 4.28 As might be expected, BusinessNZ's membership has mixed views on the merits or otherwise of mandatory product stewardship (as opposed to voluntary product stewardship schemes of which there are a number currently in place). While some members are opposed to any form of priority product declaration, many others are receptive to at least one or more products potentially, over time, being subject to a formalised product stewardship scheme. BusinessNZ has, therefore, encouraged individual members to make their own submissions raising issues specific to their areas of expertise.

***Enhancing regulatory tools to encourage change***

**Q31: Would you like to see a right to return packaging to the relevant business?**

- 4.29 Many companies, driven by a range of imperatives, already provide for the return of packaging and even products at their end-of-life, so it would be preferable to encourage a greater up-take of the regimes already in place before considering making product/packaging return mandatory. As mentioned several times in this paper, the ability of companies to manage such waste streams is dependent on a range of factors.

**Q32: Would you like to see more legal requirements to support product lasting longer and being able to be repaired?**

- 4.30 It is important to respect the various needs and wants of individuals, households, and businesses, including budget constraints and preferences, when deciding to buy a particular product. Provided the costs and benefits of individuals' actions are largely internalised, there is little justification for restricting what they can and can't buy, based on those preferences and circumstances. Certainly, a one-size-fits all approach will not reflect either population diversity or the unique choices consumers make on a daily basis.
- 4.31 Notwithstanding the above, a number of legislative requirements are already in place. Products must be fit for purpose and replaced or repaired without cost to the consumer if they do not meet the requirements of the Consumer Guarantees Act or the Fair Trading Act.



- 4.32 Also, many companies have a very strong incentive to provide a service that encourages repeat business and therefore promote themselves as a brand that truly cares about their customers, the environment, and the economic imperative of making good decisions.

**Q33: Is there a need to strengthen and make better use of import and export controls to support waste minimisation and circular economy goals? For example, should we look at ways to prohibit exports of materials like low-value plastics?**

- 4.33 Plastics use globally is being looked at closely following China's decision to close its borders to the world's low-quality recyclables. More and more countries are imposing specific packaging standards and requiring content recycling as part of normal trading activity. New Zealand is not immune from these developments.
- 4.34 The above issues are quite rightly focusing attention on New Zealand businesses and households and whether they are doing enough to reduce waste and the extent to which more recycling is needed.
- 4.35 Notwithstanding the above, the whole economic basis for trade is to promote comparative advantage and provide a diversity of product at least international cost. Any restrictions on the free-trade of products and resources (including waste) should be developed with a considerable degree of caution.

**Ensuring the waste levy is used to best effect**

**Q34: What types of activities should potentially be subject to a levy? Should the levy be able to be imposed on final disposal activities other than landfills (such as waste to energy)?**

**Q35: What factors should be considered when setting levy rates?**

**Q36: How could the rules on collection and payment of the waste levy be improved?**

**Q37: What should waste levy revenue be able to be spent on?**

**Q38: How should revenue from the waste levy be allocated to best reflect the roles and responsibilities of the different layers of government in relation to waste, and to maximise effectiveness?**

**Q39: How should waste levy revenue be allocated between territorial authorities?**

4.36 The following responses are made in respect to the Questions 34-39 above, as the answers to these questions are largely interdependent.

4.37 BusinessNZ acknowledges that the Government is endeavouring to address the greater amount of waste going to landfill by advocating an increase in the waste levy and its extension to a greater number of landfills.

4.38 BusinessNZ has three broad concerns in respect both to the proposed extension of, and increase in, the waste levy.

4.39 Business's concerns include:

1. The need to understand the nature of the risk the levy extension and the levy increase are intended to address.
2. The importance of having appropriate infrastructure in place to ensure greater recycling and re-use given that lacking appropriate infrastructure, the extension of the levy to a wider set of landfills, as well as any levy increase, will simply act as a tax with no meaningful impact on the amount of waste going to landfill.
3. The need to ensure waste levy funds raised are used appropriately.

Understanding the nature of the risks which the levy extension and increase are intended to address

4.40 The Government considers increasing the levy will better reflect the full environmental, social and economic costs of waste disposal, encouraging materials to be reused and recycled rather than sent to landfill. Some believe

this will help make the economy more efficient and assist in creating additional jobs.

- 4.41 BusinessNZ assumes the rationale for levies on waste above normal commercial landfill charges is to deal with any potential externalities associated with waste disposal, although it is not clear which externalities are not already captured by current waste disposal landfill charges. The recent NZIER report<sup>1</sup> to the Ministry for the Environment (MfE) noted that:

*"Landfilling has been associated with a range of adverse environmental effects, including discharges to air (greenhouse gas emissions and some local air pollutants), discharges into ground/water (leachates of heavy metals) and general nuisance effects such as noise, odours, lighting and attraction of vermin. Apart from greenhouse gases and discharges to water which may spread widely, these effects are highly localised. Siting landfills away from areas of habitation reduces their economic and environmental cost, offset partly by the consequent need to transport waste over longer distances from source to destination.*

*The international evidence suggests that the economic cost of these environmental effects is also relatively low, at least from modern landfills with management systems to contain the adverse environmental effects. There will be exceptions to this." (p. ii).*

- 4.42 Externalities, or spillovers, lead to a divergence between private and social (public) costs and benefits, where private refers to the costs and benefits to those participating in market transactions, and social refers to the costs and benefits to all members of society.
- 4.43 Where externalities exist, market resource allocation may not be efficient. Individuals and firms that do not bear the full cost of the negative externalities they generate will engage excessively in such activities. Conversely, since individuals and firms do not reap the full benefit of activities generating positive externalities, they will engage less in those activities than is socially optimal.
- 4.44 Governments can respond to externalities in several ways. With mainly negative externalities, governments can attempt to regulate, impose a levy or tax the activity in question. Alternatively, they can encourage activities where positive externalities are created, for example, through subsidies, by making cash payments or by providing other support mechanisms to people participating in those activities. Often such encouragements are output-based and intended to increase the production or supply of the positive externalities.
- 4.45 BusinessNZ considers officials need to be much clearer as to what the specific *"environmental, social and economic costs of waste disposal"* are. For example,

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<sup>1</sup> New Zealand Institute of Economic Research – Waste Levy Extension Estimates of extending and raising levy. NZIER report to Ministry for the Environment (November 2019)

encouraging, where practicable, materials to be reused and recycled is very desirable and laudable but assuming levy imposition will encourage more employment is simply fallacious. While in respect to recycling and waste reduction-associated activities employment might increase, this would simply involve a re-allocation of employment from other areas of job growth. It would be like saying the devastating Christchurch earthquakes, which resulted in massive building damage, created a boom for reconstruction in Christchurch. Rather, they merely saw resources redeployed from other areas of the economy.

- 4.46 Clearly the total cost of time, energy and money needs to be considered when making decisions about disposing of waste in landfills and the types of products that may be worth recycling. It is important that in seeking to reduce physical waste we do not also waste resources by diverting them from other, more valuable, uses.
- 4.47 Also of importance is that waste disposal may be driven by a significant range of factors e.g. the changing nature of the economy (new products/processes etc.), the extent of economic growth and the nature of the industries driving the growth. Given the range of factors involved, including but not limited to competitive pressures, it is unlikely growth in the economy will lead either to a uniform waste increase or a decrease.
- 4.48 Therefore, that the amount of waste to be disposed of either increases or decreases will not, of itself, show whether a waste levy is effective or ineffective.
- 4.49 As a general principle – and as previously noted - individuals and companies should bear the full costs of their behaviour (i.e. costs should be internalised) since there will be an over-consumption of resources if costs can be shifted on to third parties. Waste minimisation is no different. If rational decisions are to be made about waste minimisation, those involved should ideally bear the costs (and receive the benefits) associated with specific options/outcomes.

The importance of having appropriate infrastructure in place to ensure greater recycling and re-use

- 4.50 Any changes leading to the adoption of increased waste levies and/or expansion of coverage must reflect the nature of the products and their respective markets.
- 4.51 BusinessNZ recommends that before making relevant decisions, care is taken to ensure market processes, and the cost of necessary infrastructure, are clearly understood.

- 4.52 Given a small and widespread population base, there will likely be instances where it will be economically impractical to require greater reuse/recycling. The sheer cost of moving, say, tyres from an isolated area for recovery/recycling etc. must be considered. As noted, there will be an optimal amount of waste; 100% recovery for products at their end of life will likely be impractical.
- 4.53 While some recycling facilities are reasonably well-developed, others are in their infancy or in many cases, non-existent. For example, BusinessNZ understands a considerable amount of work has gone into researching opportunities for recycling tyres and that Waste Management has developed a recycling plant in Auckland, with assistance from the Waste Minimisation Fund, which potentially could safely process around 50% of NZ's end-life tyres.
- 4.54 Increasing levies on waste going to landfill and expanding coverage without the necessary infrastructure to deal effectively with end-of-life, or legacy products would be largely self-defeating.
- 4.55 In the past there has been concern about the cost and viability of the infrastructure required to allow for greater resource recovery/recycling.
- 4.56 Significant infrastructure, with taxpayer funding, will likely be necessary given the current doubtful returns from many resource recovery and recycling initiatives.
- 4.57 It may be possible for government in tandem with industry, to set up recycling or reprocessing hubs around the country for materials collection, collation, and if need be, processing so that:
- Larger quantities of materials can be consolidated locally with no need to ship small quantities long distances;
  - Account is taken of the need for economies of scale and economic viability; and
  - Businesses relying on such collected material – the collection of secure and steady volumes of certain materials - can be co-located in the recycling/reprocessing zone or hub.
- 4.58 There must be a degree of certainty about the economics of the infrastructure investment involved, particularly if the private sector is to be prepared to invest.

#### Appropriate use of waste levy funds raised

- 4.59 BusinessNZ has been concerned since the introduction of the Waste Minimisation Act 2008 that 50 percent of the waste levy is allocated to territorial authorities for waste minimisation purposes with the remaining 50 percent, minus administration costs, allocated to a contestable fund.

- 4.60 In BusinessNZ's view there has been little effective monitoring of the allocation of monies either to territorial authorities or to the contestable fund. Has the funding materially affected waste minimisation or has it achieved the objectives of the Waste Minimisation Act by reducing environmental harm and improving economic efficiency? There is a need to know.
- 4.61 Without appropriate controls on funding allocation, how the funding has been allocated might have had the undesirable effect of simply taxing greater amounts of waste going to landfills, including largely inert material, without addressing the so-called economic, social and environmental effects of waste.
- 4.62 BusinessNZ is pleased the Government has partially recognised the failings of current levy allocation and is looking at a levy investment plan.
- 4.63 There is a strong argument that those who pay, or are to pay, the lion's share of the waste levy should have some say in how the funds raised are allocated, particularly given a government objective in proposing to raise and expand the waste levy is to reduce the amount of waste going to landfill. This suggests assistance should be offered to those principally responsible for landfill waste to enable them to reduce the amount of waste involved through the appropriate use of waste levy funds.
- 4.64 Currently, there is little or no relationship between those who must pay the waste levy and those who receive funding from the levy. Given the Government is proposing significant rises in both levy level and levy coverage (from around \$40 million currently to around \$250 million by 2023), there is an even greater need than in the past for a better relationship between levy payers and levy recipients.
- 4.65 The danger is that raising and expanding the waste levy will simply turn it into another tax with little or no influence on waste minimisation. Tying a significant proportion of the waste levy collected to those largely responsible for producing the waste in the first place would make a serious reduction in waste going to landfill more likely. Provided, of course, there is an ability to recycle and reuse products in question.

## **Appendix One - Background information on BusinessNZ**



[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ 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 and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development (OECD)