



19 September 2011

The Secretary
Senate Select Committee on the Scrutiny of New Taxes
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

The Council of Mayors (South East Queensland) represents the interests of Australia's fastest growing region – South East Queensland (SEQ) – home to three million Australians. Our members are 10 councils within the region.

This submission provides comments from SEQ councils on the proposed carbon tax pricing mechanisms. Overall, SEQ councils acknowledge the need for Australia to act to reduce carbon emissions however, a pricing mechanism for carbon must not become an unfair impost on the local government sector.

1. Public transport

Brisbane City Council operates a public transport system which includes buses and ferries, and much of the fleet currently uses diesel. Brisbane City Council estimates its ferry fleet alone consumes approximately 2.7 million litres of diesel fuel per year and carries six million passengers each year.

In SEQ, some councils support public transport routes under a contractual arrangement with TransLink Transport Authority (TTA). A number of private bus companies also are contracted by TTA and these private operators will also be seeking to pass the price increase on to the travelling public.

By including diesel fuel from 2014, the pricing mechanism ignores the impact of public transport in reducing private vehicle emissions. In addition, the public transport ticket pricing will likely increase to offset this extra cost. The result of including diesel fuel used for public transport purposes is a perverse policy impact with reduced public patronage the likely outcome.

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Brisbane City Council estimates that from July 2014 diesel for its share of the buses and ferries in SEQ will add about 44 000 taxable tonnes of carbon emissions, which at the current price of \$23 per tonne will add \$1.1 million to the cost of public transport operations.

2. GreenPower

Some of the councils in SEQ purchase GreenPower to offset their electricity use and to assist with meeting policy commitments around carbon neutrality. Given the size of these councils, the quantity of GreenPower purchases is not insignificant and contributes greatly to the establishment of clean energy sources. Brisbane City Council for example now replaces 100% of its electricity through GreenPower at an additional cost to ratepayers of approximately \$5 million per year.

The Council of Mayors (SEQ) recently completed a project to assess the costs and benefits of aggregating GreenPower purchase across SEQ councils and using this as leverage to attract a new base load source of GreenPower generation in SEQ. Several councils were interested in this proposal but are now concerned about the short term increase in power costs. The additional cost of the carbon tax to their operations will limit participation with such an innovative project being less likely to be funded.

As a general principle, the Council of Mayors (SEQ) believes that if an electricity consumer chooses a less carbon intensive product then they should not be faced with pass through carbon tax costs. For a council, the decision to purchase GreenPower also brings with it the need to forecast costs within the budget cycle and provide transparent financial reporting. The lack of clarity and indeed encouragement within the proposed pricing mechanism is forcing these councils to rethink their public commitments in this regard.

3. Landfill legacy waste

While waste deposited prior to 1 July 2012 will not be liable under the proposed pricing mechanisms, it is unclear as to whether waste deposited each year after this date will be liable for emission for that year only or on an ongoing basis.

Detail is to be included in the regulations however immediate clarification on a council's liability is sought as we believe this could have a significant financial impact on a council. The methodology for determining landfill gas emissions and wastewater treatment plant methane emissions needs to be clarified.

For example, Ipswich City Council has been advised by waste contractor Veolia that the landfill price is likely to increase by around \$22 per tonne for municipal and \$20 per tonne for commercial and industrial waste from 1 July 2012.

In Queensland, the state government has recently introduced the *Waste Reduction and Recycling Bill* which contains a waste levy (tax) of \$35 per tonne on waste transported to landfill. While this may be bringing Queensland in line with other states, the timing is such that the costs and administration of both taxes will be a significant impost on SEQ councils and for those communities that the councils service, and will be reflected in large rate increases in 2012-13.

Council of Mayors (SEQ) supports and reiterates the position of local government in relation to waste emission liability as outlined in submissions made by the Australian Local Government Association. It also refers the committee to submissions on this topic made by the Australian Landfill Owners Association which calls for a three year moratorium on the introduction of a carbon price to allow time for local government to clarify measurement methodology, become familiar with and put in place systems to meet reporting requirements, and initiate gas collection and flaring where this does not exist at landfills.

Yours sincerely

John Cherry
EXECUTIVE DIRECTOR

