

2. TRANSPORT COSTS FOR WASTE TO KATE VALLEY

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The purpose of this report is to recommend a resolution by the Council to participate in a transport cost scheme for waste sent to the Kate Valley landfill after May 2005.

BACKGROUND

The Constituting Agreement for the Canterbury Joint Standing Committee and its working arm the Canterbury Waste Subcommittee signed in May 1999, and updated in 2002, provided for those councils participating in the regional landfill project to delegate specific functions relating to the proposed new regional landfill to the Subcommittee. Clause 27(d) of the Constituting Agreement delegated the following function to the Subcommittee:

“Considering the issues in relation to any scheme for the equalisation of transport costs between the JV Councils and if appropriate, developing such a scheme;”

The Subcommittee on 8 July 2004 reaffirmed its commitment to give effect to this function and on 6 September 2004 the Subcommittee considered the attached report (attachment one) and resolved as follows:

“That the Canterbury Waste Subcommittee recommends that each of Christchurch City Council, Ashburton District Council, Selwyn District Council, Banks Peninsula District Council, and Waimakariri District Council pass the following resolutions at their September 2004 meetings:

1. *That the Council participate in the Transport Cost Equalisation Scheme more particularly described in the attached Deed (“the Equalisation Deed”) to the intent that the costs associated with the transport of solid waste to the Kate Valley Landfill be equalised across the districts administered by the Ashburton District Council, the Banks Peninsula District Council, the Christchurch City Council, the Selwyn District Council and the Waimakariri District Council and, accordingly:*
 - (a) *The Council enter into and execute the Equalisation Deed; and*
 - (b) *Make the delegations to the Canterbury Joint Standing Committee set out in recommendation 2.*
2. *That the Council delegate to the Canterbury Joint Standing Committee and its subcommittee pursuant to clause 3 of the Constituting Agreement dated 16 September 2003, authority to:*
 - (a) *Direct Transwaste Canterbury Ltd in the calculation of the Council’s liability for equalisation payments in accordance with the equalisation formula set out in the Equalisation Deed;*
 - (b) *Monitor:*
 - (i) *The payment of any dividend payable by Transwaste Canterbury Limited;*
 - (ii) *The holding of such dividend by Transwaste Canterbury Limited;*
 - (iii) *The payment of the balance of any such dividend once any equalisation payment has been deducted; and*
 - (iv) *The payment of equalisation payments to refuse station operators under the terms of the Equalisation Deed.”*

DISCUSSION

The Kate Valley regional landfill is expected to open for business at the end of May 2005, replacing Burwood landfill which will then close. Setting the transport cost scheme in place is part of the gearing up for the new landfill for those councils participating in the venture - Christchurch, Banks Peninsula, Ashburton, Selwyn, Waimakariri and Hurunui Councils.

All six councils will send residual waste to Kate Valley, however, it had previously been resolved by the Subcommittee that the Hurunui District, as host council to the Kate Valley landfill, would not be part of the proposed transport cost scheme.

The transport cost scheme means that Christchurch, Banks Peninsula and Waimakariri communities will assist the communities of Ashburton and Selwyn in paying a part of the transport costs of sending their residual waste to Kate Valley landfill in order to ensure that they are not disadvantaged by being furthest away from the regional landfill. On the basis of proportional tonnages Christchurch (93%), Banks Peninsula (0.83%) and Waimakariri (6.17%) communities would be sharing the additional transport costs of Selwyn and Ashburton, being furthest away. Only when actual costs and tonnages are known could the exact extent of financial commitments be determined, however, in the meantime an indicative example is provided: Assuming Ashburton District Council's annual additional transport costs could be approximately \$63,000 and Selwyn District's approximately \$3,000, a total of \$66,000 would need to be part of the transport cost scheme.

Using the proportional tonnages percentages stated above would result in an annual financial contribution from Christchurch of \$61,500, Banks Peninsula \$500 and Waimakariri \$4,000.

Being shareholders in Transwaste Canterbury Ltd, Councils participating in Kate Valley would benefit from future dividends paid out by Transwaste Canterbury Ltd. Indicative dividend amounts provided by Transwaste Canterbury Ltd for Christchurch indicate an average annual dividend of \$1,357,000 a year, as set out in the attached report. Therefore the net effect to the Christchurch community of participating in the transport cost scheme would still be balanced by the much larger dividends from Transwaste Canterbury Ltd.

In the event of no or insufficient dividend being paid out in a particular year (not anticipated in current dividend predictions), the transport cost scheme would operate through direct payments by Christchurch and Waimakariri communities.

Apart from passing the required resolutions all councils participating in the transport cost scheme will also be required to sign the attached deed which sets the scheme in place.

SUMMARY

Assisting those councils furthest away from the regional landfill with a part of their transport for waste sent to Kate Valley landfill has been an accepted principle since the Constituting Agreement was first signed in 1998. A mechanism has now been developed and the report sets out the mechanism to achieve that outcome.

Committee

Recommendation: That the Council pass the following resolutions at the September 2004 meeting:

1. That the Council participate in the Transport Cost Equalisation Scheme more particularly described in the attached Deed ("the Equalisation Deed") to the intent that the costs associated with the transport of solid waste to the Kate Valley Landfill be equalised across the districts administered by the Ashburton District Council, the Banks Peninsula District Council, the Christchurch City Council, the Selwyn District Council and the Waimakariri District Council and, accordingly:
 - (a) The Council enter into and execute the Equalisation Deed; and
 - (b) Make the delegations to the Canterbury Joint Standing Committee set out in recommendation 2.
2. That the Council delegate to the Canterbury Joint Standing Committee and its Subcommittee pursuant to clause 3 of the Constituting Agreement dated 16 September 2003, authority to:
 - (a) Direct Transwaste Canterbury Ltd in the calculation of the Council's liability for equalisation payments in accordance with the equalisation formula set out in the Equalisation Deed;
 - (b) Monitor:
 - (i) The payment of any dividend payable by Transwaste Canterbury Limited;

- (ii) The holding of such dividend by Transwaste Canterbury Limited;
- (iii) The payment of the balance of any such dividend once any equalisation payment has been deducted; and
- (iv) The payment of equalisation payments to refuse station operators under the terms of the Equalisation Deed.