



COST RECOVERY AND TARIFFS SETTING IN WASTE MANAGEMENT: *Lithuanian experience*

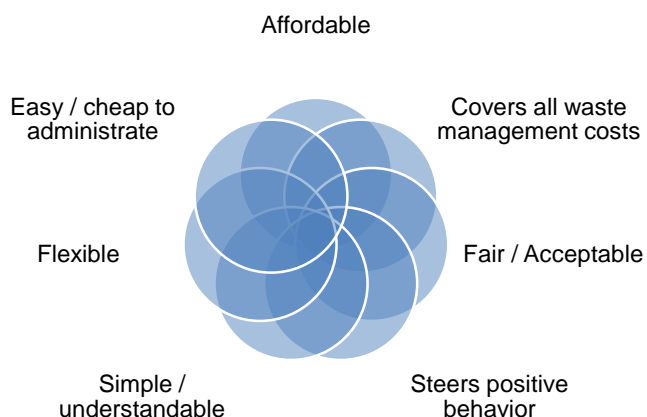
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Belgrade, 17 November, 2015



Ideal waste tariff – is it possible?





INSTITUTIONAL SYSTEM FOR COST RECOVERY

Municipalities are responsible for organisation of municipal waste management systems.

**Waste Management Act (16/10/1998)*



Waste management service fees: *Traditional system for cost recovery (until 2007)*

- (Maximum) tariffs/fees are approved by municipalities.
- Fees are collected by the companies providing services.

Advantages:

- The risk for collection of fees is faced by service providers
- Low administration costs for municipalities

Disadvantages:

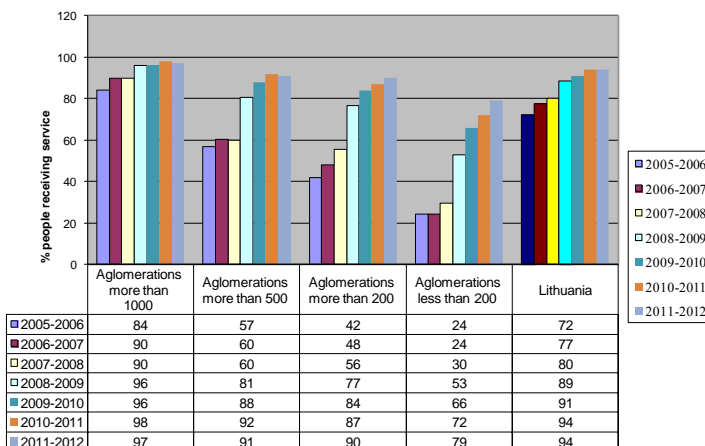
- Public sector loses the influence in the manner how waste management will be done
- Municipal waste management service is limited (covers only collection and landfilling of residual municipal waste, other services have to be paid from municipal budget (PPP not applied))
- People resist from signing contracts, securing that each facility has a (affordable) waste management contract, is difficult
- Illegal dumping



Coverage of municipal waste collection service in Lithuania

- **Municipalities** have to ensure that waste generators (households /commercial sector) are connected to public waste collection

National Strategic Waste Management Plan (12/04/2002)



Local tax on waste management : Mandatory system for cost recovery (from 2008)

- Local tax is approved by municipalities
- Local tax is collected by or on behalf of municipalities

Advantages:

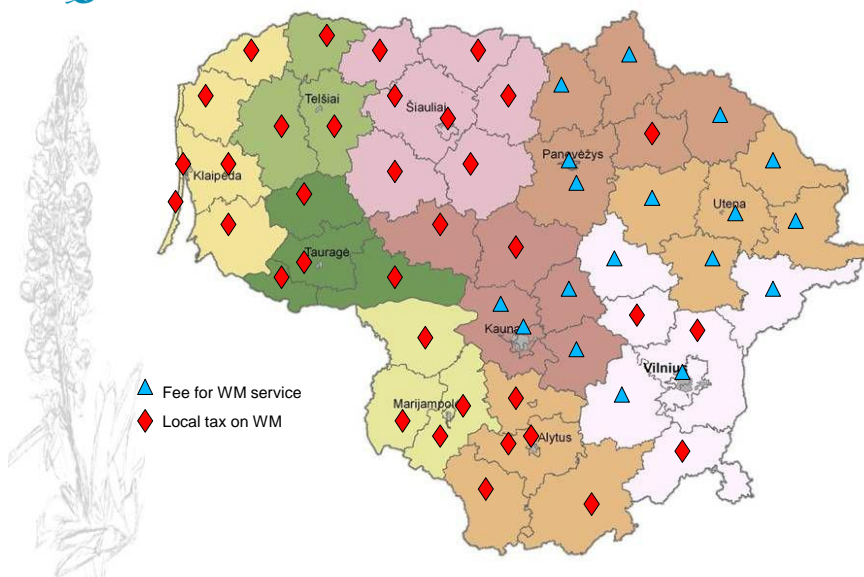
- Municipalities get more influence on waste management services
- Mandatory requirement to pay / Fewer default of payment
- Cost recovery for all waste management costs by polluters / low level of illegal dumping / proper treatment of waste
- Securing a waste collection from each household/facility
- Securing the same price for everybody, even for distant areas

Disadvantages:

- The financial risk is faced by municipalities
- High administration costs for municipalities
- Resistance to pay / complains from those who never paid for WM



Service fee or local tax (situation in 2014)



Amendments of Waste management act (1)

- *Amendment of Waste management act (11/12/2011):*
 - Every person is the holder of municipal waste in spite of its legal form or activities
 - The owner of the property is obliged:
 - to pay local tax or
 - to make the contract with the municipality or administrator
 - Standard terms of the contract (approved by the government)
- *Amendment of Waste management act (19/04/2012):*
 - To increase the efficiency of the waste management system all or several municipalities that belong to the municipal waste management region can cooperate together and to establish a legal person - the administrator of municipal waste management system.
 - Administrator of municipal waste management system is a legal entity, established *by one, several or** all municipalities that belongs to region and fulfilling functions of municipal waste management organisation in the area of municipalities and/or providing waste management services.

**Amendment of Waste management act (09/05/2013)*



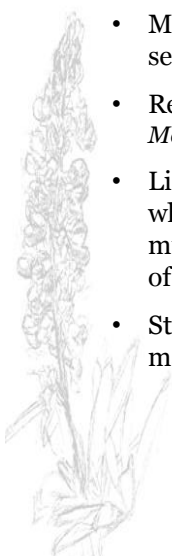
Amendments of Waste management act (2)

- *Amendment of Waste management act (19/04/2012):*
 - **Functions of the administrator:**
 - to organize selection of waste management companies by tender
 - to fulfill its contractual obligations supervision and control
 - to present the calculation of tariffs/fees for MWM to municipality and collect them after approval of the council of municipality
 - to register municipal waste holders
 - to collect and analyze the information about the fulfillment of the set targets
 - to provide proposals to municipalities concerning the development of the system
 - to perform public awareness rising activity
 - to make contracts with waste management holders



Implementing legal acts

- Minimal quality requirements for municipal waste management service (21/10/2012, MoE regulation)
- Regulation on municipal waste holders registration (20/12/2012, MoE regulation)
- List of real estate types the owners or authorized persons of which has to pay waste management tax or to establish the municipal waste management services contract for the provision of waste management service (20/02/2013, MoE regulation)
- Standard conditions for the provision of municipal waste management services contract (12/04/2013, MoE regulation)





COST RECOVERY SYSTEM – WHAT SHALL BE RECOVERED?



Polluter pays principle



- The users of the service or producer of the product owes the cost for the municipal waste management service to the municipality in accordance with **polluter pays principle**:
 1. *In accordance with the polluter-pays principle, the costs of waste management shall be borne by the original waste producer or by the current or previous waste holders.*
 2. *Member States may decide that the costs of waste management are to be borne partly or wholly by the producer of the product from which the waste came and that the distributors of such product may share these costs.*
- Tariffs for waste management are constrained by **affordability** and **political acceptability**:
 - Costs for municipal waste should not exceed 1 percent of disposable household income**

**Directive 2008/98/EC on waste, Article 7 “Costs”*

*** National strategic waste management plan (12/04/2002; 16/04/2014)*



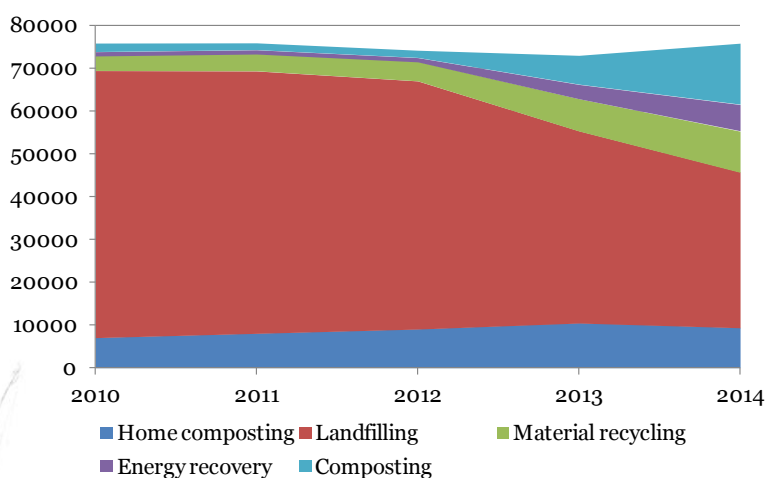
Costs of municipal waste management in Lithuanian regions (2014)

Region	Total costs (Eur/t)	Treatment costs (Eur/t)	Collection costs (Eur/t)
Alytus	94,50	41,70	52,80
Kaunas	86,98	17,21	69,77
Klaipėda	76,48	35,04	41,44
Marijampolė	92,48	28,69	63,79
Panevėžys	81,99	24,07	57,92
Šiauliai	77,93	32,24	45,69
Tauragė	99,49	33,29	66,20
Telšiai	83,46	26,44	57,02
Utena	115,19	41,00	74,19
Vilnius	106,64	37,64	69,00

Source: Association of Lithuanian Regional Waste Management Centres



Case study: Alytus region Waste management 2010-2014





Case study: Alytus region

Annual costs of MSW management

	Year 2013, Eur		Year 2014, Eur	
Residual waste collection	2.399.672	57%	2.123.643	50,1%
Waste disposal at regional landfill	442.685	10%	416.787	9,8%
Sorting of mixed municipal waste	54.721	1%	144.873	3,4%
MBT plant (mechanical treatment only)	0	0%	123.690	2,9%
Civic amenity sites and composting sites	331.996	8%	491.982	11,6%
Monitoring and after care of old landfills	161.902	4%	191.502	4,5%
Administration of EU funded projects	123.266	3%	54.444	1,3%
Collection of waste taxes and public information	361.103	9%	353.343	8,3%
Organisation of waste collection services	18.209	0%	34.904	0,8%
Distribution of home composting boxes	44.021	1%	4.541	0,1%
Control of MSW system	32.417	1%	33.447	0,8%
Other administration costs	261.669	6%	267.318	6,3%
Total	4.231.659	100%	4.240.474	100%

Population: 184 182

Number of households: 82 476



Application of solidarity principle

- **Solidarity principle in national regulation:**
 - *The municipal waste management tariff/fee should not depend on the distance to the regional waste management facilities. The price should be the same for all municipal waste holders of the region if they have the same scope and quality of the services**
 - * National strategic waste management plan (31/10/2007)
- **Solidarity principle in practice:**
 - Partly: only disposal costs distributed in (landfill gate fee is set based on the distance to the landfill), applied in most regions.
 - Full solidarity: all costs distributed among municipalities in the region based on one parameter (e. g. per tonne of residual municipal waste), applied in Alytus region.



TARIFFS SETTING PROCEDURES AND METHODOLOGY





It is recommended to gradually introduce waste management service charges (fees or local taxes) based on volume of container and number of emptying instead of based on number of persons.*

* National strategic waste management plan (12-04-2002)



Municipal waste taxes/fees in 2014, Eur



Region	Household /year 	Area (m ² /year) 	Person/ year 	Volume provided (m ³) 
Alytus		0,59		
Kaunas		1,01	15,64	10,14-10,72
Klaipėda		0,87		
Marijampolė		0,87	33,60	
Panevėžys			22,96	
Šiauliai			16,22-22,01	
Tauragė		0,83		
Telšiai	45			
Utena			24,22	10,14
Vilnius		1,11		
% of municipalities	8%	37 %	45 %	10 %



Flat rate fees based on number of persons (not based on waste amount)

Advantages:

- Traditional way of charging, well accepted

Disadvantages:

- No mandatory registration, people register in one place, live in another / renting
- People registered at the municipality (without address) are not paying
- Properties without people registered are not paying
- Difficult and expensive to administrate, because number of persons is changing
- Not fair for families with many children
- No incentive for reducing waste quantity i. e. by separate collection



Flat rate fees based on area (m²) (not based on waste amount)

Advantages:

- Easy and cheap to administrate (database is not changing)

Disadvantages:

- Not acceptable ("waste is not generated by m², but by people")
- Not fair for single people living in big houses (social compensations are needed for low income families)
- Special solutions are needed for summer houses / places where services are not provided (e. g. difficult to reach in winter time)
- No incentive for reducing waste quantity i. e. by separate collection





Amendments of Waste management act (19/04/2012)

- **Tariff setting for municipal waste management:**
 - Tariff is determined in accordance with the solidarity, proportionality, non-discrimination, cost recovery and “polluter pays” principles
 - The tariff of municipal waste management must be based on the municipal waste management costs
 - The tariff of municipal waste management must ensure the long-term operation of the waste management infrastructure
 - The price of municipal waste management services and the tariff for municipal waste collection from waste holders and waste management is determined by the municipality, taking into account the methodology approved by the Government



Methodology for setting taxes or other fees for municipal waste collection from waste holders and waste management (24/07/2013, Government resolution)

I. Calculation of municipal waste management costs:

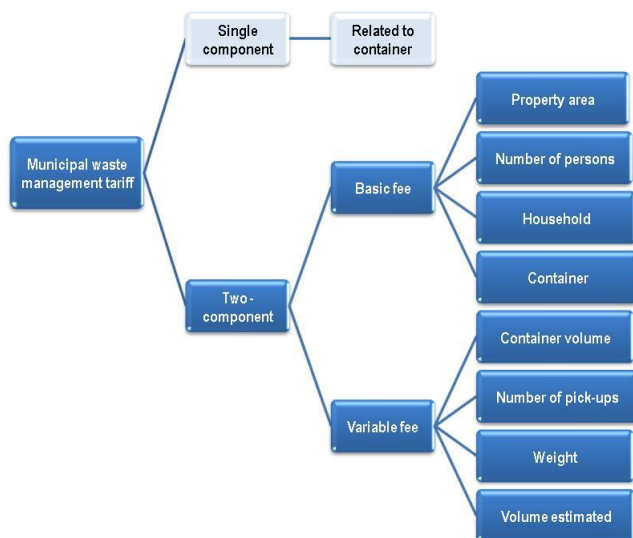
- Identification of all waste management costs
- Classification of costs into fixed and variable costs

II. Introduction of Pay-As-You-Throw system (*approach aiming to charge people in accordance to the amount of waste which they actually generate*):

- Calculation of **two-components fee** for municipal waste management:
 - **Basic fee** based on fixed costs of waste management
 - **Service fee** based on waste amount (weight or volume)



Calculation of two-component tariff for municipal waste management



Fees based on waste amount (volume or weight)

Advantages:

- *Fair system:* the more waste generated, the more to pay (Polluter Pays Principle)
- *Enforcement of the waste management hierarchy:* motivation for waste prevention, home composting, sorting of recyclable
- *Higher transparency of service* and thus promotion of a more reliable public image of waste services

Disadvantages:

- People can try to avoid paying by illegal dumping
- Each house has to have its own containers (including for recycling) to be used only by residents of this house
- Implementation barriers in multi-family buildings
- Uncertain revenues because of the uncertain waste generation
- Possible increase of administrative, managerial and operational cost
- Possible social unfairness towards families with kids, low income citizens



Case study: Alytus region (1) Organisational measures

• Preparation for PAYT system (2013-2015)

- Possibilities for waste separation:
 - *Containers for each household for sorting of recyclables*
 - *Composting bins for green waste*
 - *Contracts with producer responsibility organisations (PROs) for packaging waste*
 - *Civic amenity sites in each municipality*
- New type of contracts for waste collection service:
 - *Identification of containers*
 - *Fixed amount as payment for service*
 - *Variable amount based on "pick-ups"*
- Establishment of control unit



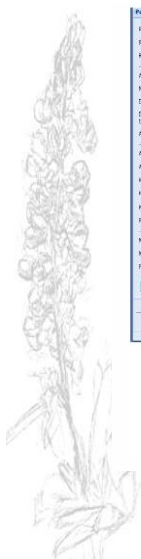
Case study: Alytus region (2) IT solutions

- Updated register of municipal waste holders:
 - *Information on containers, possibilities of waste sorting, home composting*
- New IT modules:
 - *Containers module*
 - *Module for control of sorting quality (checks/sanctions)*
- Data exchange with waste collectors' IT system
- Different possibilities for calculation of tariff
- Analysis / reports





Case study: Alytus region (3) *Control of waste collection service*



Thanks for Your attention!