

Key matters for Council's urgent consideration

arising from reading of the Response of the Environment & Commercial Services Department.

Herts. Without Waste, 23 May 2012, Dr J. Webb's 5-min. address to HCC_OSC

a. Prudential Borrowing vs. Private Finance Initiative (PFI)

PFI gives **poor value for money**. HCC do not appear to have produced an up-to-date costing of the PFI option in comparison with normal public borrowing (through Public Works Loan Board, PWLB), nor given any justification or explanation of their **claim that PFI is cheaper**. The House of Commons Treasury **Select Committee's** recent report in 2011 severely criticised PFI schemes as being very costly and poor value for money. **Dr J. Fisher** can give the council clarification of this Select Committee's key concerns if the Council wish. They raised severe questions about PFI schemes and recommended that the National Audit Office (NAO) should scrutinise the assessment process of **Value for Money**. Consequently HCC need to show clearly and transparently the costs of their waste management options under PWLB vs PFI (with and without any **Defra subsidy**) to be able to answer adequately the Committee's questions and likely impending independent scrutiny

b. Financial liability re insufficient feedstock

The Council do not appear to have calculated the **financial liability** (in relation to the PFI contract) should they be unable to supply sufficient incinerator feedstock. Considering the trends involving exports of Refuse Derived Fuel and **overcapacity** for incineration, it is highly likely that there will be a shortfall of feedstock during the lifespan of the contract. Even if feedstock could be sourced, this may require very low gate fees, **or even no gate fees**. This has already been the case at Nottingham's Eastcroft facility, where even rival waste companies were invited to burn waste free of charge to maintain feedstock levels. Any money invested in availability fees that are "redeemed" by the Council due to **third party use of the facility** will presumably be heavily dependent on the gate fee that those third parties will pay (and the sharing mechanism for such gate fees), and this does not seem to have been discussed at all in the report.

Its saying: "should the County Council be unable to supply this contract minimum, there are mechanisms within the contract that mean that the County Council **should not** be financially disadvantaged" is not the same as saying that the County Council **would not** be financially disadvantaged, nor is it the same as providing financial liability calculations (e.g. in "worst case scenario" circumstances where no or not enough third party waste could be acquired).

Simply put: if not enough waste is sent to the incinerator, then what is the **Council's liability?**

c. **Liability arising from an Incineration Tax**

The Response of the Environment & Commercial Services Department, that: "There is no evidence to suggest that the Government has any intention of introducing an incineration tax" suggests that HCC Waste Officers are **unaware of the Government's commitment** to addressing "market failures" associated with waste policy, as expressed in the June 2011 Review of Waste and Waste Policy. **Nor** of the Government's identification of incineration as resulting in **market failures** (in Defra's Economics of Waste and Waste Policy report). **Nor** the identification of taxation as a potential mechanism of correcting such market failures and having incentives that mirror more closely the **waste hierarchy** i.e. higher taxes at the bottom of the hierarchy (landfill **and** (next item up) incineration) – see our briefing note for further information on this. The Waste Officers failed to calculate the financial liability for the Council should the Government follow through on its commitment to correct the market failure by introducing an incineration tax. Presumably the contract is written such that any new liabilities arising from legislative changes would fall to be **met in their entirety by HCC**. A further question arises: Would HCC be liable to pay the incineration tax on **third party waste** as well?

d. **Up-to-date cost comparison with alternative processes**

The Council seems to have overlooked a key point in para 2 of the summary section of our main concerns: the note that "meanwhile social, economic and statutory **provisions and trends** have evolved rapidly, leaving the mass burn proposal **increasingly inappropriate** for the coming decades"

Our briefing note highlights 7 such recent **major developments and experience** from elsewhere. We are happy to go through these and discuss them and for Dr J. Fisher to clarify these important points for the Council.

All in all they point to the urgent need for a substantive, careful, transparent and up-to-date **review and scrutiny now** of the proposed incinerator **compared with alternatives**.

Thank you.