

Our Reference: 22251 JR/CL

27 February 2006

Mr Phillip Weickhardt
Presiding Commissioner
Inquiry into Waste Generation
Collins Street
EAST MELBOURNE VIC 8003
Productivity Commission
Locked Bag 2

Dear Commissioner,

**Local Government Association of South Australia's Submission
Inquiry into Waste Generation and Resource Recovery**

The Local Government Association of South Australia (LGA SA) welcomes the opportunity to provide a brief submission to this Inquiry and commends the Productivity Commission's investigation into this important issue. This submission has been drafted on behalf of Local Government in South Australia to draw the Commission's attention to the waste generation and resource efficiency issues that affect the sector as a whole. As a guide for the general stance of the LGA SA in waste and resource recovery issues, the relevant LGA SA policy related to waste and resource efficiency has been attached to this submission. Additional information from South Australian Local Government may also be provided at the Inquiry's Public Hearing in Adelaide to be held on Friday 24 February 2006. The LGA SA has promoted this hearing through its Circular system to all Local Government in South Australia.

As there are a number of issues requiring investigation in the area of waste generation and resource efficiency, this submission will attempt to address these using the Terms of Reference supplied by the Commission.

1. The economic, environmental and social benefits and costs of optimal approaches for resource recovery and efficiency and waste management, taking into account different waste streams and waste related activities.

Councils in South Australia have individually and collectively undertaken a number of activities to improve resource recovery and waste management. . An analysis of expenditure and revenue for South Australian Local Government Waste Management in 2002-2003 found \$77.3 million worth of expenditure with only \$27.7 million recovered as revenue. Comparisons between 2002-2003 and 2001-2002 show there was only a \$4.4 million increase in revenue compared with a \$12.2 million increase in expenditure (Source: Australian Bureau of Statistics). According to the South Australian Local Government Grants Commission, South Australian Councils spent \$80.8 million on waste management in the 2003-2004 financial year. This expenditure occurred prior to the commencement of extensive waste management reform resulting from the advent of Zero Waste SA and the South Australian Waste Strategy 2005-2010

There is widespread community support for recycling and it is considered that this spending from a social and environmental perspective is worthwhile. In South Australia, current Local Government arrangements for waste management and resource recovery take a number of forms. Many Councils in the metropolitan area are part of regional subsidiaries constituted under the Local Government Act 1999 that range in function from managing joint contracting arrangements to

operating collection services and disposal facilities. In regional areas, Councils are largely individually responsible for the whole process of collection and disposal. Both systems have a large cost impost for their communities and particularly in rural and regional areas, waste and resource recovery services are run as a public good with limited or no cost recovery.

Councils are currently at a stage of improving their resource recovery services to meet diversion targets set under the State's Waste Strategy. This is being achieved in a number of ways, including a trial of collecting organic materials from kitchen waste for composting with green waste (metropolitan) to adopting regional waste management plans to attempt to collect economically viable amounts of materials for resource recovery (rural and regional areas). Optimising resource recovery and waste management require a significant shift in thinking and budgeting for many Councils and has significant implications for their financial sustainability. The LGA has undertaken an intensive study of the financial sustainability of Councils in SA and has found many are financially unsustainable under current policy settings. Contributing to this "unsustainability" are the provision of services that more for public good and do not recover the costs of their implementation.

There are a number of considerations in improving Local Government resource recovery in South Australia whose impacts require greater investigation, including:

- **Cost:** Historically, regional Councils in particular have not accounted costs for disposal in their own landfill and landfills have either been left open for the public or charged a minimal fee. This has resulted in the situation where Councils have not appropriately costed their waste management and budgeted accordingly, incurring an ongoing environmental legacy to manage. At present, regional and rural Councils are coming to terms with the true cost of waste management, to make landfill diversion and resource recovery a more sustainable option. This must be considered in light of the payback periods for some of these initiatives (both environmental and economic) being in the longer term.
- **Volumes:** South Australia is characterised by low populations across the State. The viability of resource recovery in particular is based on the collection of commercial quantities of the resource and is influenced by transport distances. To achieve commercial quantities of materials, Councils are required to stockpile these materials (which is not favoured by regulators) or coordinate collection contracts.
- **Transport:** Being a large state with widely dispersed populations, the cost of transport is a key consideration in the viability of resource recovery and waste management. Although many rural and regional Councils would like to provide resource recovery services to their populations, the distances to travel to end markets make the process both environmentally and economically unfeasible.

Considering the factors above and the low cost of landfilling in South Australia, it is more economically viable in the short term for Local Government to dispose of resources to landfill. Councils undertake resource recovery more as a service enhancement rather than it being a waste management option that is financially viable.

2. Institutional, regulatory and other factors which impede optimal resource efficiency and recovery, and optimal approaches to waste management, including barriers to the development of markets for recovered resources.

National Packaging Covenant

Apart from Container Deposit Legislation (CDL) in South Australia, the National Packaging Covenant (NPC) is the only "control" on the generation of packaging materials. Viable alternative systems (such as CDL) to encourage take-back of materials by the packaging industry have not been extensively investigated and are not necessarily mutually exclusive to the NPC. The South Australian experience is that regulatory approaches (eg CDL) and facilitatory approaches (eg the NPC) can co-exist very comfortably, and often deliver synergies and successes not possible by adopting one approach or the other in isolation. By applying this understanding to the NPC, it is

clear that it forms part of the solution for recovering the resources derived from packaging waste. In order to provide for this synergy of regulation and facilitation to occur, any approach to facilitation at the national level (such as the NPC) should not preclude the Commonwealth or other signatories from pursuing complementary regulatory approaches. Ideally, regulatory approaches should be nationwide to ensure consistency for the packaging industry, but this should not detract from state authorities implementing measures that address local issues.

Product Labelling

Consumer choice is a significant driver for packaging reform. There should be a national focus on providing and promoting a simple and nationwide system to readily identify recyclable packaging similar to star ratings or other environmental initiatives. This should also extend to providing clarity in packaging markings and meaningful markings (eg the plastic type number in a triangle tends to infer recyclability, although this may not be the case). This could be incorporated into the current Environmental Code of Practice for Packaging and must be enforced.

Similarly, real disincentives for the production of non-recyclable or mixed material products should be mandated. There must be a recognition that the mixing of materials results in a product not being recyclable using current sorting systems (i.e. material recovery facilities), irrespective of whether the materials it is composed of are individually recyclable.

3. The adequacy of current data on material flows, and relevant economic activity, and how data might be more efficiently collected and used to progress optimal approaches for waste management and resource efficiency and recovery.

The inadequacy of the previous National Packaging Covenant and its failure to require effective data collection and target setting has been a significant set-back to more effectively assess the generation of waste materials and “mass balance” these with the volumes of materials collected for disposal or recovery. This has been addressed to some extent in the NPC Mk II, but there will be a lag between the establishment of baseline data and ability to compare this with data collected over an extended period.

Collection of data is more skewed toward the disposal of materials or their recovery through recycling. Data on the volumes of materials collected for disposal to landfill and recycling are provided by Local Government to a number of agencies including the Australian Bureau of Statistics, National Packaging Covenant, Office of Local Government (Local Government Grants Commission), SA Environment Protection Agency (SA EPA) and Zero Waste SA. There have been attempts to harmonise the information being provided to the collection agencies with varying success.

The Commonwealth Government, through the Bureau of Statistics and Environment Protection and Heritage Council, should take the lead in the development of tools for the collation and management of data concerning waste management and resource recovery. This would require an initial review of the extent and type of information currently being collected by agencies to identify the key data parameters required.

4. The impact of international trade and trade agreements on the level and disposal of waste in Australia.

The viability of Local Government operated recycling programs is dependent on the end-markets for the collected recyclate. The revenue from the sale of materials to these end-markets is used to off-set costs for separating commingled recyclables at privately operated material recovery facilities (MRFs). Long term contracts with these MRFs mean that some of the fluctuations in demands for materials can be absorbed, but longer term failures in markets mean that materials formerly considered recyclable are no longer economically so, necessitating their disposal to

landfill. This reinforces the notion that recyclability has not only a technical dimension but also an economic dimension.

There is a long over due need for an analysis of end markets for recycled materials in Australia and internationally. This analysis should monitor the destinations for these materials and the factors that affect their viability from an economic and policy perspective. Some longer term forecasting should also be undertaken to determine the long term viability of these markets so that contingencies can be developed to address any market failures.

The feasibility of establishing extended producer responsibility (EPR) across both national and international boundaries should be included in trade agreements. Larger organisations (eg Hewlett Packard and Toshiba) have undertaken to involve themselves in product stewardship and EPR schemes, but are continually undercut by cheaper and non-branded imports. These leave a legacy of e-waste as they operate outside market forces generated by brand recognition and good corporate citizenship. Importers should be involved in the recovery of products at their end of life, either through directly collecting their products or through industry organisations. The LGA is aware that there is some movement towards a Product Stewardship National Environment Protection Measure (NEPM) by the Environment Protection and Heritage Council. It is hoped that this inquiry in conjunction with the NEPM will establish measures to address the issues concerning EPR and Product Stewardship raised in this Submission.

5. Strategies that could be adopted by government and industry to encourage optimal resource efficiency and recovery.

South Australian Local Government routinely identifies EPR as a key part of encouraging resource efficiency and reducing waste generation.

The LGA SA is concerned that existing federal systems such as the National Packaging Covenant are almost entirely focused on recovery of packaging materials and not in preventing their generation. Addressing generation rather than recovery would substantially address issues such as littering, the improper use of certain materials for packaging, problems with the recycling market and longer term environmental effects such as resource depletion.

Local Government has repeatedly stated that it supports extended producer responsibility (EPR) over product stewardship. The situation remains that the primary beneficiaries of packaging, the packaging industry, are not taking responsibility for the products they generate. This is not the case in some other countries. In Australia, product stewardship resides largely with the consumer and collector (Local Government) and the increased volumes of materials collected demonstrate that the consumer is either not willing or not able to make decisions to reduce their packaging consumption.

An independent inquiry into the feasibility of EPR programs is required prior to the development of strategy. The independence of the inquiry is key as previous studies have shown some degree of bias in their analysis. For example, the often quoted finding of one investigation into EPR programs like CDL reduces volumes of kerbside recycling, is specious (as this has not been the South Australian experience) and ignores the fact that it effectively targets away from home recycling, a key component of the revised NPC. The SA LGA would support the broadening of CDL to become a nationwide program to compliment the measures in the NPC and improve “away from home” recycling.

Other Issues

Intractable Wastes

Local Government is increasingly stockpiling materials (including potentially hazardous materials) banned from landfill as there is currently no suitable repository for these materials (eg tyres, e-waste and copper chrome arsenate treated timber). The production of these materials without a suitable management system for dealing with their “end of life” leaves a long term environmental legacy, either for the product purchaser or Local Government as the collector. An investigation into the current management of intractable wastes (prioritising them by volume generated or hazard posed) and developing strategies for their long term disposal or recovery is needed (eg inclusion of a disposal fee or levy in the purchase price).

Copper chrome arsenate treated timber (CCA timber) is an illustrative example. A number of Councils in the Riverland and wine growing regions (eg Barossa and Clare Valleys and the McLaren Vale) have significant stockpiles of damaged CCA timber posts from trellising and fencing. These posts cannot be placed in landfills and have remained in stockpiles at refuse facilities awaiting a viable treatment or disposal option. It would appear incumbent on the industries that generate such materials that they should be at the forefront of developing environmentally safe and economically viable options for their recovery or disposal.

Alignment of Policy

A key area for analysis by the inquiry would be the potential to review and align waste policy across Australia. Individual States have undertaken waste reform and it would be of significant value to conduct a review of these reforms to not only establish the current state of play, but also to identify common areas of need requiring Commonwealth involvement to ensure a coherent policy framework. This would also assist in determining the implications of international policy on waste management in Australia.

If you have any further queries concerning this submission, please contact Mr Chris Lease, Senior Policy Officer - Waste and Environmental Management on 08 8224 2055 or chris.lease@lga.sa.gov.au.

Yours sincerely

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Attach: LGA Waste and Resource Recovery Policies

Copy to:

Waste and Resource Efficiency Relevant Policies from the LGA SA Policy Manual 2003

7.5 WASTE AND RESOURCE MANAGEMENT

7.5.1 Local Government recognises the value of waste as a resource to be put to the use and benefit of the community.

7.5.2 Local Government aims for ecologically sustainable development that integrates the economic, environmental and social aspects of waste management so that the needs of the present generation are met without compromising the needs of future generations.

7.5.3 Local Government recognises its role in the management of waste under section 7(b) of the Local Government Act 1999 and in the provision of cost effective and ecologically sustainable waste and resource recovery services to the community.

7.5.4 Local Government will work to foster cooperative partnerships to provide cost efficient and ecologically sustainable waste and resource recovery services to the community.

7.5.5 Local Government adopts the long-term vision of no recyclable and/or reusable waste being disposed of to landfill.

7.5.6 Local Government supports the adoption and application of the Waste Management Hierarchy which is generally expressed, from the most preferred to the least preferred, in the following order:

MOST PREFERRED	Avoid Reduce Reuse Recycle Recover (eg energy)
LEAST PREFERRED	Treat Dispose

7.5.7 Local Government is committed to continuing its efforts in waste and resource education, including encouraging the SA community to adopt and apply the Waste Management Hierarchy.

7.5.8 Local Government will investigate the application of the polluter pays and user pays principles in waste and resource management to encourage waste avoidance and reduction.

7.5.9 Local Government supports community participation in the development of waste and resource management strategies (including information exchange and contributing to decision making).

7.5.10 Local Government supports the application of the principle of financial transparency by all sectors involved in waste and resource management.

7.5.11 Local Government will work to develop cost-effective strategies to provide equitable access to resource recovery, reuse and recycling.

7.5.12 Local Government supports the principle of product stewardship (the recognition that each participant in the product chain, from design through to material extraction, manufacture, distribution, retail, consumption and recovery or disposal, has a responsibility for the product's overall environmental impact and a linked obligation to act to minimise that impact).

7.5.13 Local Government supports the application of the principle of lifecycle management to waste and resource management (understood as the management of the potential environmental

impacts of a product, process or project in all stages from its inception to its completion, including decommissioning, follow-up and after-care).

7.5.14 Local Government recognises the need for consistent, timely and accurate data and information to support sustainable waste and resource management.

7.5.15 Local Government will work towards continual improvement in the efficiency and sustainability of the waste and resource management sector.

7.5.16 Local Government supports the provision of collaborative waste collection programs aimed at assisting Councils with the recovery and reuse (or safe disposal) of hazardous and dangerous substances.

7.5.17 Local Government will work cooperatively with other spheres of government to introduce and uphold sensible, practical environmental protection measures within the economic capacity of Councils and the community.

7.5.18 Local Government supports the recent expansion of Container Deposit Legislation as a proven, effective means of controlling litter and encouraging the recovery of recyclable containers across SA.

7.5.19 Local Government is committed to working with other organisations, such as KESAB, to reduce litter and the problems caused by litter to the South Australian community.