

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

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Inquiry into Waste Generation and Resource Efficiency
Productivity Commission
Locked Bag 2
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EAST MELBOURNE VIC 8003

FCAI COMMENTS ON DRAFT REPORT: WASTE MANAGEMENT

The Federal Chamber of Automotive Industries (FCAI) welcomes the opportunity to provide comment on the Commission's draft report, *'Waste Management'*.

FCAI believes that the draft report presents a robust analysis of existing and proposed approaches to waste management in Australia.

In particular FCAI takes a dose interest in the analysis and draft recommendations, relating to issues of extended producer responsibility (EPR) and product stewardship (PS). Product stewardship arrangements are either already in place, or have been proposed for a number of automotive related products. In particular, FCAI is currently examining the possible implications of proposed arrangements for used tyres.

FCAI believes that the Commission's draft findings and recommendations in relation to EPR and PS issues appear to be well founded and we would encourage the Commission to confirm its conclusions in its final report.

PROPOSED PRODUCT STEWARDSHIP ARRANGEMENTS FOR TYRES

FCAI has participated in the processes of the Tyres Roundtable since late 2005. This group, chaired by the Australian Government Department of Environment and Heritage, has been working for around three years to develop a national approach to the management of used tyres.

It has been estimated that approximately 21 per cent (measured on an equivalent passenger unit basis) of all tyres enter the Australian market as original equipment, fitted either to imported, or locally manufactured, vehicles. FCAI, as the industry body which represents local vehicle manufacturers and importers of passenger cars; off road vehicles; light commercial vehicles; and motor cycles, clearly has a strong interest in any arrangements which might arise from the activities of the Tyres Roundtable.

FCAI holds significant reservations about the proposed Tyres Product Stewardship Agreement and the associated proposal to introduce an advanced recycling fee, levied on tyre importers and manufacturers.

FCAI notes that the proposed agreement establishes a target to divert 90 per cent of used tyres to 'approved end markets' within ten years. This target has been arbitrarily determined and there is no evidence that we are aware of to indicate that it represents an optimal balance between disposal and alternative uses for 'end-of-life' tyres.

While, it is to be expected that there may be a number of negative externalities associated with the disposal of tyres to landfill, these can be minimised by requiring used tyres to be shredded prior to disposal in this manner.

Given that there are a range of alternative uses which could ascribe a positive value to used tyres FCAI agrees with the Commission's observation that market forces should be able to determine whether it is more appropriate to recycle tyres into other products, or use them to generate energy, rather than landfill shredded tyres (p.243).

If it can be demonstrated that more significant negative externalities are likely to be associated with illegal dumping of used tyres, then it would be our view that appropriate efforts to minimise this type of behaviour should be the first priority of any proposed intervention.

Appropriate options to address the costs of illegal dumping of used tyres should be considered and developed by relevant state or territory jurisdictions, in consultation with other relevant stakeholders, to ensure that the risks associated with such behaviour more accurately reflect the costs of this type of behaviour to the community.

FCAI questions the effectiveness of proposed arrangements for an advanced recycling fee to be imposed on new tyres as they enter the Australian market (including those attached to new vehicles). It is unclear how such a fee would be reflected in subsequent pricing of tyres (or new vehicles) but it is difficult to see how it would more effectively reflect the costs of disposing of waste tyres to consumers, or provide appropriate incentive for increased re-use or recycling of used tyres.

Indeed it is noted that in many instances tyre retailers already impose a fee on consumers to cover the costs of handling and disposal of used tyres. While there maybe debate about what the purpose of such fees, or the extent of awareness by consumers about what they are for, it would seem that this approach is likely to be more transparent and more accurately reflect the actual costs of collection and disposal than an alternative fee, levied at the wholesale level.

On the basis of the evidence available at this time FCAI believes that arrangements proposed under the draft Tyres Product Stewardship Agreement do not meet the requirements described in the Commission's draft recommendation (10.2). Accordingly, we believe there is a firm basis for the Commission to confirm this recommendation, or strengthen it to conclude that the proposed product stewardship arrangements for tyres should not proceed in their current form.

In closing, FCAI believes that the Commission's draft report provides a compelling analysis of the public policy implications of current and emerging approaches to waste management in Australia. In the light of this draft report, FCAI has urged all participants in the Tyres Roundtable to carefully reconsider proposed arrangements under development for used tyres. We await the Commission's final report and the government's response with interest.

Yours sincerely

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