



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

WASTE GENERATION AND RESOURCE EFFICIENCY IN AUSTRALIA

*ACCI SUBMISSION
TO THE
PRODUCTIVITY COMMISSION*

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Background

The Australian Chamber of Commerce and Industry (ACCI) has been the peak council of Australian business associations for 104 years and traces its heritage back to Australia's first Chamber of Commerce in 1826.

ACCI is Australia's largest and most representative business association.

Through our membership, ACCI represents over 350,000 businesses nationwide, including:

- Australia's top 100 companies
- Over 55,000 medium sized enterprises employing 20 to 100 people
- Over 280,000 smaller enterprises employing less than 20 people

These businesses collectively employ over 4 million people.

ACCI's 37 member organisations include the State and Territory Chambers of Commerce and Australia's leading national employer and industry associations. Our members represent all major sectors of Australian industry including small employers and sole traders as well as medium and larger businesses.

A list of ACCI members is attached.

Introduction

The Productivity Commission (the Commission) was directed to inquire into, and report on, waste generation and resource efficiency by the Treasurer, the Hon Peter Costello MP, in October 2005. The Commission has stated that the inquiry will review the current policy framework and cover issues associated with solid waste.

The Commission is required to prepare both a draft and final report to the federal Government.

To facilitate contributions to the draft report the Commission released an Issues Paper in December 2005. ACCI wishes to provide overarching comments on the Issues Paper as follows.

ACCI's Environment Policy

ACCI's Environment Policy includes a number of principles, policy objectives and a policy framework applicable to waste generation and resource efficiency.

These include:

Principles

Environment policy must continue to be based on constructive dialogue between industry and government. Such policy should be based on:

- an outcome-oriented approach to government regulation which encourages technological innovation, appropriate risk management and voluntary industry approaches to best practice environmental management;
- environment standards that are appropriate to Australia's own circumstances and industrial and natural resource base; and which are nationally consistent, while recognising the role of States and Territories and variations in natural competitive advantages between regions; and
- a whole-of-government approach to policy making and implementation based on scientific assessments and maximum cooperation and consultation among government agencies and in conjunction with industry and community representatives.

ACCI will actively support efforts by government to promote sustainable development, where consistent with ACCI's environment policy position.

Policy Objectives

ACCI supports the following specific objectives aimed at the more efficient use of energy, water and raw materials, reduction of emissions into the air, water and soil and reduction of noise impacts, reduction of waste and development of environmentally sound products and services:

- wider industry adoption of best practice environmental management including integration of environmental management practices, measurement and reporting

processes into business strategies, planning and operations including a proactive role for industry associations in promulgating best practice environmental management, including the collection and sharing of information;

- encouraging environmental improvements by best practice environmental guidelines with clear performance indicators and optimal use of voluntary measures, market based incentives and minimal industry compliance costs;
- maintenance of the States/Territories' prime role in environmental regulation, with the Commonwealth principally responsible for policy coordination and leadership on issues of international or transboundary concern to all jurisdictions such as greenhouse gas emissions and consistent ambient environmental standards;
- enhancement of science-based and risk management based approaches to environmental assessment, regulation and management including objective life-cycle assessment and selection of materials and products and measures which encourage shared, rather than extended, producer responsibility; and
- government programs which promote sound science and no regrets measures leading to significant environment improvements.

Policy Framework

Governments should commit to best practice environmental regulation and encouragement of sustainable development by:

- allowing industry to self-regulate except when self-regulation has proven inadequate in addressing significant environmental concerns in the community and maximising non-regulatory, voluntary approaches through the use of economic instruments which should be applied in such a way as to reward success in meeting environmental standards cost-effectively while avoiding market distortions;

- encouraging industry best practice environmental management through incentives rather than punitive measures;
- ensuring a nationally consistent performance-based approach to the provision of minimum standards for water, soil and air quality;
- using technically rigorous science-based processes to assess environmental, economic and social impacts of regulatory proposals against the costs and benefits of various environmental management, regulatory and alternative options; and
- continuing to rationalise regulation and government programs on a nationally consistent basis, at the same time recognising genuine regional differences. The application of the Intergovernmental Agreement on the Environment through National Environment Protection Measures which are adopted and implemented by each State and Territory, is a sound in - principle basis for pursuing this objective.

Summary

As is evident from ACCI's Environment Policy, dissemination of best practice information, self-regulation and rationalisation of regulation along with rigorous cost-benefits analyses are vital to achieving optimal environmental policy and thus outcomes.

Regulatory Burden on Business

ACCI released a Position Paper entitled *Holding Back the Red Tape Avalanche A Regulatory Reform Agenda For Australia* in November 2005. The paper is available at www.acci.asn.au.

Based on international economic research, ACCI estimates regulation costs the Australian economy approximately \$86.0 billion per year or 10.2 per cent of GDP.

Amongst the biggest losers from anti-business regulation are consumers who are inevitably forced to pay higher prices as compliance costs get passed through to end products and services.

The most effective way to relieve the impact of regulation does not necessarily involve a radical overhaul of the current system. Instead what is needed is far greater vigilance on the part of government to

enforce the checks and balances that are currently part of the regulatory structure.

ACCI's model for regulatory reform specifically deals with initiatives that should be carried out by the Australian Government. However the principles can and should be adopted at all levels of government.

Our model is built on achieving clear political accountability, making the system more transparent and subjecting all proposed regulation to straightforward cost benefit assessments.

ACCI considers that environmental regulation, like all business related regulation, should be subject to such scrutiny before introduction. Currently this is not the case.

Is regulation required?

Very few proposals for environmental regulation question the need for regulation. This is most obviously expressed by a failure to produce a cost benefit analysis, or an adequate cost benefit analysis, regarding the proposal.

Several waste related examples of this occurred in 2004-2005. Amendments to the National Packaging Covenant (NPC) provide a clear example. The *National Packaging Covenant Proposal* and associated *Consultation Regulatory Impact Statement (RIS) on Revised National Packaging Covenant* provided only one month, rather than the standard two-month consultation conducted on most RISs.

Furthermore, the NPC, was unfinished at the time it was released for consultation. The unfinished NPC also provided the basis for the RIS. This made a full and proper assessment of the NPC and the RIS difficult. The RIS itself listed a number of limitations, including the lack of data on which to create any empirical, reliable, technically rigorous scientifically-based targets and that it was not possible to adequately quantify the cost of the more prescriptive regime. ACCI's submission on the NPC, which highlights the inadequacies of the RIS is available at www.acci.asn.au.

The Environmental Protection and Heritage Council (EPHC) released a paper entitled *Industry Discussion Paper on Co-regulatory Frameworks for Product Stewardship*, (the *Industry Discussion Paper*), in December 2004. The paper is indicative of the presumption for regulation, as it fails to canvass options other than co-regulation. Whilst the *Industry Discussion Paper* imposes a number of caveats on this limited approach, the emphasis is still

upon regulation, rather than the suite of available approaches to the problem.

Overly prescriptive regulation

Governments are increasingly proposing and implementing a range of schemes that reduce the ability of businesses to make autonomous operational decisions, particularly in relation to environmental matters. Not only do businesses have to comply with a range of requirements from existing environmental protection legislation covering for example, water, soil, greenhouse gas emissions and pollutants, they are increasingly subject to other more specific arrangements that regulate, monitor and ultimately dictate operations. This results in less innovative and efficient businesses and industries as a result of increased compliance and regulatory burdens.

A clear example of this is presented in the *Industry Discussion Paper* description of what a Product Stewardship Agreement would include as follows:

- the outcomes and targets expected of signatories;
- key performance indicators (KPIs) used to measure them, and timeframes for delivery;
- data collection, auditing and reporting requirements;
- the role and representation of a stakeholder forum; and
- procedures for reviewing and, if necessary, terminating an Agreement.

The rest of the *Industry Discussion Paper* speculates as to the nature of the outcomes and targets, ranging from decreased energy and water use, more efficient use of natural resources, reduction of unwanted by-products and reduced pollution and waste.

Similarly highly prescriptive targets are also contained in the revised National Packaging Covenant as follows:

- total weight of consumer packaging (domestic & imported) sold per annum into the Australian market and the total weight of products packaged;
- resources (energy & water) used to produce packaging;
- improvements in design, manufacture, marketing and distribution to minimise the environmental impacts of packaging;
- changes to protection, safety, hygiene, shelf-life or supply chain considerations affecting amount & type of packaging;

- average % per annum, of post-consumer recycled content in packaging manufactured;
- total weight, by type, of “ non-recyclable”² packaging sold per annum into the Australian market;
- implementation of Buy Recycled purchasing policy or practices;
- signatories providing recycling collection facilities for post-consumer packaging generated on-site;
- amounts of on-site packaging respectively recycled and disposed of to landfill;
- adoption of the ECoPP and development of systems for its implementation;
- establishment of baseline performance data;
- annual Reporting against Action Plan;
- demonstrated improvement and achievements of milestones in Action Plan; and
- provision of consumer information to enable more informed behaviour.

These requirements, when combined with myriad other regulatory compliance requirements, such as taxation, occupational health and safety and environmental reporting, impose an unacceptable burden on business. They also result in businesses being forced to adopt operational and reporting practices that may not be optimal or economically viable.

Duplication of regulations

As ACCI has highlighted in a number of submissions, there are increasing amounts of federal-state environmental regulation. For example, New South Wales has an Extended Producer Responsibility Scheme, Western Australia is considering the introduction of a similar scheme and Victoria has Product Stewardship Programs. Greenhouse gas reporting requirements are currently being assessed as twenty-two separate business-reporting schemes currently operate across all Australian jurisdictions. Significant effort should be made to ensure that industry is not disadvantaged and subject to even further regulatory red tape due to the fragmentation of programs and legislation.

Lack of data

What is as concerning as the overly prescriptive targets, is the fact the targets are unsupported by data. The Commission makes it clear that the limited data available is of varying quality usefulness.

As ACCI has highlighted in a number of submissions, empirical evidence and data to substantiate claims that a significant waste problem exists, necessitating the introduction of outcomes and targets, does not exist. The lack of evidence and data makes it extremely difficult to proceed with a balanced and informed discussion between industry and key stakeholders.

The NPC debate demonstrated that all levels of government have no reliable data recording the actual amounts of waste, the composition of waste and recovery and recycling rates of waste. Yet industry is now subject to significantly increased compliance costs, through reporting and targets, for solutions to problems that have not been clearly identified and quantified. Furthermore, industry is now required to set waste recovery targets and decrease the amount of waste sent to landfill even though no information exists upon which to set the targets.

ACCI, in previous submissions, has called for all levels of government to bear responsibility for the development of reliable, technically rigorous waste and recycling data as a matter of priority. This would also allow informed debate and related action to occur if such action were established to be socially, economically and environmentally warranted. This, in turn, would enable industry to establish and meet voluntary targets, where appropriate.

ACCI considers that such data should be funded by the government as business is already subject to substantial costs imposed by the various regulatory schemes.

Conclusion

ACCI considers that the Commission should give careful consideration to regulatory issues surrounding waste, especially in light of the importance afforded to this issue, evidenced by the Prime Minister's Taskforce on Reducing the Regulatory Burden on Business. The need for regulation, the prescriptive nature of regulation and duplication of regulation must all be addressed. Furthermore, data should be established to allow an informed debate regarding the true nature of the waste "problem", and to allow further debate and dialogue on optimal solutions to identified problems.

**APPENDIX A:
AUSTRALIAN CHAMBER OF COMMERCE AND
INDUSTRY MEMBERS**

ACT & Region Chamber of Commerce and Industry
Australian Business Limited
Business SA
Chamber of Commerce and Industry of Western Australia (Inc)
Chamber of Commerce Northern Territory
Commerce Queensland
Employers First™
State Chamber of Commerce (NSW)
Tasmanian Chamber of Commerce and Industry Ltd
Victorian Employers' Chamber of Commerce and Industry
ACCORD
Agribusiness Employers' Federation
Air Conditioning and Mechanical Contractors' Association
Association of Consulting Engineers Australia
Australian Beverages Council Ltd
Australian Entertainment Industry Association
Australian Hotels Association
Australian International Airlines Operations Group
Australian Made Campaign Limited
Australian Mines and Metals Association
Australian Paint Manufacturers' Federation Inc
Australian Retailers' Association
Housing Industry Association
Insurance Council of Australia
Investment and Financial Services Association Ltd
Master Builders Australia Inc
Master Plumbers' and Mechanical Services Association of Australia
National Electrical and Communications Association
National Retail Association Ltd
NSW Farmers Industrial Association
Oil Industry Industrial Association
Pharmacy Guild of Australia
Plastics and Chemicals Industries Association Inc
Printing Industries Association of Australia
Restaurant & Catering Australia
Standards Australia
Victorian Automobile Chamber of Commerce