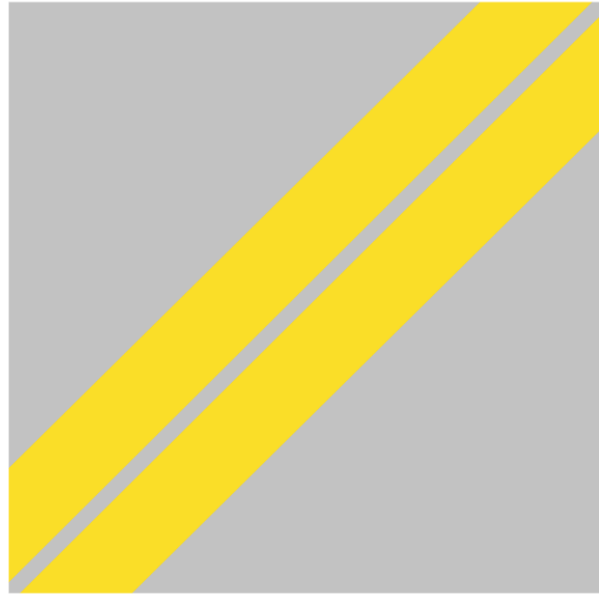


# **Motor Trades Association of Australia**



## **Submission to the Productivity Commission Inquiry into Waste Generation and Resource Efficiency in Australia**

**February 2006**

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## 1. Introduction

### 1.1 OVERVIEW OF THE MOTOR TRADES ASSOCIATION OF AUSTRALIA (MTAA)

MTAA is the peak national representative organisation for the retail, service and repair sector of the Australian automotive industry. The Association represents the interests, at the national level, of over 115,000 retail motor trade businesses with a combined turnover of over \$120 billion and which employ over 316,000 people. MTAA is therefore the largest ‘stand-alone’ small business association in Australia. The Association is a federation of the various state and territory motor trades associations and automobile chambers of commerce, as well as the Service Station Association (SSA) and the Australian Automobile Dealers Association (AADA). MTAA also has a number of Affiliated Trade Associations (ATAs), which represent particular sub-sectors of the retail motor trades ranging from motor vehicle body repair to automotive parts recycling. Those ATAs are as follows:

*Australian Motor Body Repairers Association (AMBRA)*  
*Australian Motorcycle Industry Association (AMIA)*  
*Australian National Radiator Repairers Association (ANRRA)*  
*Australian National Towing Association (ANTA)*  
*Australian Service Station and Convenience Store Association (ASSCSA)*  
*Australian Tyre Dealers and Retreaders Association (ATDRA)*  
*Auto Parts Recyclers Association of Australia (APRAA)*  
*Automotive Repairers Association of Australia (ARAA)*  
*Automotive Transmission Association of Australia (ATAA)*  
*Engine Reconditioners Association of Australia (ERA of A)*  
*Farm and Industrial Machinery Dealers Association of Australia (FIMDAA)*  
*National Brake Specialists Association (NBSA)*  
*National Heavy Vehicle Repairers Association (NHVRA)*  
*National Rental Vehicle Association (NRVA)*  
*National Steering and Suspension Association (NSSA)*  
*National Vehicle Airconditioning Association (NVAA)*

All of the ATAs listed above are composed of the relevant sections of each of the MTAA Member bodies and are represented, at a national level, by MTAA.

The Association’s affairs are directed by a Board on which each of MTAA’s Member bodies is represented. The role of the Association is to:

- raise awareness in the community of the retail motor trades’ significant contribution to the Australian economy (the trades have a turnover of over \$120 billion and employ over 316,000 people);
- convey and promote to governments the interests of the retail motor trades;
- promote improved working relationships and practices with the motor trades’ unions;
- on behalf of the Members of the Association, provide information about the trades to governments, the public and the trades’ employees;

- work with governments to plan the future of the retail motor trades and their role in the economy and other areas of national planning;
- extensively enhance training and to develop work opportunities within the trades in co-operation with education and training authorities, the unions and government generally; and
- promote and enhance the reputation of the trades with its customers and the general public.

The range and depth of the activities of the membership of the Association can be seen from the following list of recognised trades, skills and tasks in the retail, service and repair sector of the automotive industry:

Air-conditioning Technicians	Dynamometer Operators
Auto Electricians	Engine Fitters
Automotive Accessory Retailers	Engine Performance Specialists
Automotive Dismantlers/Parts Recyclers	Engine Reconditioners
Automotive Engineers	Exhaust System Specialists
Automotive Glass Fitters	Farm Machinery Dealers
Automotive Parts Cataloguers	Fuel Injection Specialists
Automotive Radio and Stereo Specialists	Gas Fitters
Automotive Service Managers	Hire and Rental Vehicle Operators
Automotive Trimmers	Marine Automotive Engineers
Automotive Upholsterers	Motor Boat and Marine Dealers
Automotive Transmission Specialists	Motorcycle Dealers
Battery Makers and Reconditioners	Motorcycle Mechanics
Body Builders	Motor Mechanics
Brake Specialists	Panel Beaters
Car Alarm Fitters	Petrol Pump Attendants
Caravan Dealers	Radiator Repairers
Car Dealers	Spray Painters
Car Salespeople	Tow Bar and Trailer Fitters
Car Wash Operators	Tow Truck Operators
Chassis Builders and Repairers	Truck Builders and Operators
Commercial Vehicle Body Fabricators	Tuning Specialists
Detailers	Tyre Fitters
Diesel Engineers	Tyre Retreaders
Diesel Injection Technicians	Wheel Alignment Specialists

## ***1.2 MTAA'S INTEREST IN THE INQUIRY***

As MTAA understands matters, the Commission's Inquiry will review the current policy framework for waste generation and resource efficiency in Australia but will only address issues associated with solid waste. The Association also understands that the Commission has indicated that the waste generation and resource efficiency issues associated with car parts and containers and tyres will be within the scope of the Inquiry.

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The Commission will be aware that those products, along with many of the other products sold by the Australian automotive industry often ultimately end up in Australia's waste stream. The industry is aware that it has a social responsibility to reduce the impact that those end-of-life products have on the waste stream and the environment and the issues of waste generation, waste disposal and resource efficiency are therefore important issues for participants in the Australian automotive industry. The Association, as the peak national representative organisation for the retail, service and repair sector of the automotive industry, therefore has a strong interest in many of the issues that will be considered by the Commission as part of its Inquiry into Waste Generation and Resource Efficiency.

### **1.3 MTAA POLICY ON END-OF-LIFE AUTOMOTIVE PRODUCTS**

MTAA supports the continued development, in consultation with all industry stakeholders, of strategies to maximise reuse and recycling and minimise waste in the retail motor trades. The Association also supports, where appropriate, the recycling of parts and materials used in the production of motor vehicles and the introduction of policy measures which will encourage the reuse or recycling of such products.

## **2. Policy Options to Address Issues Associated with Waste Generation and Resource Efficiency**

### **2.1 OVERVIEW**

MTAA is aware that a broad range of policy options have been adopted in Australia and overseas to address issues associated with waste generation and resource efficiency, including regulation, taxes and subsidies, co-operative agreements with industry and the provision of recycling facilities. The Association notes however that the appropriate policy response for particular products or industries will vary according to the nature of the product and the relevant industry. MTAA therefore considers that it is not appropriate for governments to adopt a 'one size fits all' approach to waste generation and resource efficiency.

The Association also notes that the nature of the relevant policy response (self-regulatory, co-regulatory or regulatory) will also be dependent upon the nature of the product and/or the industry which produces or sells it. Therefore, while a self-regulatory approach may be desirable in that it imposes a minimal amount of regulation and offers a great degree of flexibility, it may not be appropriate for some products as it may not be possible for the relevant industry to secure an appropriate level of industry coverage/participation and/or to address the issue of "free-riders" without some form of government regulation. In those circumstances it may be more appropriate to adopt a co-regulatory or regulatory approach. In that regard, MTAA notes that a co-regulatory approach may have similar advantages to a self-regulatory approach, whilst also addressing some of the shortcomings of a self-regulatory approach (such as the issue of 'free-riders').

In relation to the policy options which might be adopted to address waste generation and resource efficiency in the Australian automotive industry, MTAA's preference is for policy options which effectively address the issue but which impose a minimal amount of regulation on business. The Association generally considers that governments should initially seek to secure self-regulatory or co-regulatory options before considering the adoption of a mandatory regulatory regime. The Association acknowledges however that in many circumstances some form of supporting regulation will be necessary to ensure that the

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selected regulatory option is effective. For example, a co-regulatory option may require supporting regulation to encourage industry participation in the scheme and to address the issue of ‘free-riders’.

## **2.2 PRODUCER RESPONSIBILITY FOR WASTE**

As noted above, the Association acknowledges that the Australian automotive industry and equally importantly, motorists, have a social responsibility to reduce the impact that automotive end-of-life products have on the waste stream and the environment. The industry has made some progress towards addressing some of those issues through its participation in the development of strategies to address particular waste automotive products (waste motor oil and end-of-life tyres). The Association acknowledges however that relevant industry stakeholders, including itself, need to work with the Australian Government to address other waste automotive products, including end-of-life vehicles, and to encourage a greater level of recycling and/or reuse of waste automotive products.

MTAA considers however that consumers must also bear some of the responsibility associated with waste consumer products, as they derive the greatest benefits from those products. The Association therefore does not support the proposition that producers should bear the sole responsibility for, and the costs associated with, the ultimate disposal of their products and does consider it appropriate that industry should be able to pass on to consumers the costs associated with any increased waste product responsibilities.

### **2.2.1 Product Stewardship Schemes**

MTAA considers that product stewardship schemes, if they are properly developed and established, can be an effective strategy for reducing the impact that certain products have on the waste stream. MTAA also notes that product stewardship schemes can also help to ensure that the responsibility for end-of-life products is shared by all participants in the production to disposal chain. Such schemes however may not be appropriate for every product or industry.

#### *The Respective Roles of Industry and Government in the Development of Schemes*

MTAA considers that industry must play an integral role in the development and implementation of product stewardship schemes if those schemes are to be effective. This is because industry participation in the development of the scheme helps to ensure that the scheme is appropriate for the relevant product and industry(ies) and also encourages industry participation in the scheme by fostering a sense of industry ‘ownership’ of the scheme. Industry participation in the scheme also helps to ensure that the scheme does not impose an unreasonable cost or regulatory burden on business, both of which may discourage businesses from participating in the scheme. The Association therefore considers that industry has an important role to play in the ensuring the effectiveness of product stewardship schemes and it should therefore have a central role in the development of such schemes.

The Association also considers that government may, in many circumstances, have an important role to play in the development of product stewardship schemes. In order to be effective a product stewardship scheme must capture both domestic manufacturers and importers of the relevant product and also effectively address the issue of ‘free-riders’ (non-participants in the scheme). If the scheme fails to do this, it is quite possible that one group of market participants (either importers or ‘free-riders’) may gain an unfair competitive

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advantage over participants in the scheme, as they will face a lower level of regulatory costs. This difference in regulatory costs may be sufficient to encourage some participants to withdraw from the product stewardship scheme, particularly if the scheme covers an industry which is characterised by high levels of competition and/or low profit margins. Such an outcome is likely to undermine the effectiveness of the scheme and at some stage the level of non-participants may reach a point at which the continued operation of the scheme is unviable.

It is therefore important that both of these issues are addressed during the development stage of a product stewardship scheme. While some industries may be able to address these issues on their own, in many circumstances (particularly if the relevant industry is characterised by a high number of producers or importers, low barriers to entry, a high level of competition and/or low profit margins) it may not be possible for industry to do so without government assistance. The government assistance which may be required may include the creation of either regulatory disincentives for non-participation in the scheme or regulatory incentives for participation in the scheme. For many product stewardship schemes, government will therefore have an important role in ensuring that the issues of importer participation and ‘free-riders’ are both addressed effectively through supporting regulation.

The Association also notes that government policies such as taxation and environmental regulation can also have a significant impact on the viability and effectiveness of a product stewardship scheme. For example, changes in the taxation treatment of fuels may have a significant impact on the use of fuel products manufactured using recycled waste oil and the viability of the oil recycling sector, which in turn could threaten the effectiveness of the product stewardship scheme for waste oil. The Association therefore considers that it is important that the relevant governments are involved in the development of product stewardship schemes, as this will reduce the likelihood of a government making an adverse regulatory decision which undermines the effectiveness and/or viability of a product stewardship scheme.

### *Responsibility for “Orphaned Products”*

The issue of who should bear responsibility for products that are already in circulation prior to the introduction of a product stewardship scheme (so called ‘orphaned products’) is an important and sometimes contentious issue in the context of the development of a product stewardship scheme. MTAA considers that the appropriate party(s) to bear the responsibility for such products will vary from product to product and will be dependent on the nature of the product and the characteristics of the relevant market and product stewardship scheme.

### *Treatment of Importers*

MTAA considers that product stewardship schemes must cover importers as well as domestic manufacturers in order to be effective. The exclusion of importers from a product stewardship scheme will, in MTAA’s view, undermine the effectiveness of the scheme by allowing a potentially significant segment of the market to avoid the requirements imposed by the scheme. This is likely to limit the ability of the scheme to achieve any meaningful reduction in the impact that a particular product has on the waste stream.

The Association also notes that a product stewardship scheme which does not cover importers may create a distortion in the market for the particular product, as importers will

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not be subject to the regulatory costs associated with the product stewardship scheme. As they are not subject to those costs, importers may be able to offer lower prices than their domestic counterparts and that price differential may result in a shift in demand from domestically manufactured products to imported products. Any such shift is likely to reduce the effectiveness of the product stewardship scheme, as it will increase the quantum of products which are not covered by the relevant scheme. The Association therefore considers that it is important that product stewardship schemes treat domestic producers and importers in a similar manner.

### *Role of levies and appropriate mix of levies / post-consumer charges*

MTAA considers that levies can play an important role in product stewardship schemes. As noted in the Issues Paper, the imposition of levies can help to ensure that the 'true' costs of dealing with the product at the end of its life are incorporated into the price of the product. Levies can also help to promote recycling and to encourage the development of a sustainable recycling industry for the product in question, both of which may help to divert products from landfill and thereby reduce the impact that the product has on the waste stream. In addition, by attributing an economic value to the waste product (for example, through the payment of benefit to recyclers), the levy may also help to reduce the incidence of illegal dumping of the end-of-life product. In that regard, the levy imposed by the oil product stewardship scheme (which is discussed in more detail below) has helped to encourage the recycling of oil by funding the payment of benefits to businesses that recycle waste oil products. The Association notes however that such strategies will only be effective if there is sufficient demand for products manufactured using the waste product.

MTAA also considers that industry should be able to pass on the costs associated with the disposal of a product, including any product stewardship levy, to consumers. While MTAA supports the proposition that consumers should not end up paying twice for the cost of disposal (once when they purchase the product and again when they dispose of the product), the Association considers that there may be some circumstances in which that may be unavoidable. This is because in some circumstances the economic returns associated with collecting some end-of-life products from some locations may not be sufficient to allow collectors or recyclers to collect those products free of charge (for example, if the volume of products stored at that location is small or if the location is in a rural or remote area and the product needs to be transported a considerable distance to be processed).

In such circumstances, if the product is disposed of by a third party on behalf of the consumer (for example, automotive businesses usually dispose of waste tyres that have been removed from consumers' vehicles) and that third party incurs a cost in disposing of the end-of-life product (for example, the retailer pays a collection company to collect and dispose of the waste product), the Association believes that the third party should be able to pass on that cost to the consumer irrespective of whether a product stewardship levy has been paid on the product. In those circumstances, MTAA considers it is unreasonable to expect retailers to incur such costs on the grounds that consumers have already paid the levy, as retailers do not obtain any financial benefit from the imposition of the levy.

If levies are to be imposed under a product stewardship scheme, the Association also believes that it is essential that any levy is imposed on all of the product which is sold in the Australian market. If that does not occur, the imposition of the levy on certain classes of the product (for example, domestically manufactured products) may distort the market for the



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relevant product in favour of classes of the product which are not subject to the levy (for example, imported products). MTAA considers that such an outcome is both undesirable and unacceptable.

#### *Appropriate method for collecting products*

MTAA notes that the most appropriate method for collecting products covered by product stewardship schemes will vary from scheme to scheme and depend on the nature of the product and its location.

#### *Existing /Proposed Product Stewardship Schemes which affect the retail, service and repair sector*

#### National Schemes

There is currently one national product stewardship scheme which affects the retail, service and repair sector of the Australian automotive industry, the *Product Stewardship for Oil Program*, and MTAA is currently participating in the development of another scheme which will deal with end-of-life tyres.

- Product Stewardship for Oil Program

The Product Stewardship for Oil Program came into effect on 1 January 2001 and the objectives of the scheme are to encourage, where appropriate, the recycling and reuse of waste oil and to reduce the impact that waste oil has on the waste stream and the environment.

As part of the Scheme, the Australian Government imposed a levy on all 'eligible' oils irrespective of whether those oils were domestically manufactured or imported into Australia. The levy is currently set at 5.449 cents per litre of lubricant oil produced or sold in Australia and is imposed on domestically manufactured products in the form of an excise and on imported products in the form of a customs duty. The levy is therefore paid by producers and importers of 'eligible' oil products.

Some of the funds raised from the levy are used to pay product stewardship benefits to recyclers to encourage the recycling of waste oil. Those benefits are paid on a volume basis and range from fifty cents per litre for re-refined lubricant base oil to three cents per litre for low grade industrial burning oils.

A Transitional Assistance Grants Program was also established as part of the Scheme and the purpose of that program is to remove some of the structural barriers to oil recycling, such as the lack of an adequate waste oil collection system and suitable oil recycling infrastructure. MTAA understands that transitional assistance grants have been provided for the establishment of waste oil collection facilities at various local government sites throughout Australia and for the development of oil recycling infrastructure and technology.

In MTAA's view, the Product Stewardship for Oil Program may provide a useful model for other product stewardship schemes, particularly those dealing with automotive components. The Program has, as MTAA understands matters, successfully managed to capture both

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importers and domestic manufacturers, to address the issue of free riders and to encourage the recycling of waste oil.

- **Product Stewardship Scheme for Tyres**

It is proposed that a product stewardship scheme for end-of-life tyres will be introduced in the near future. The scheme is still being developed at this stage and therefore the exact details of the scheme have not yet been finalised, but MTAA understands that the scheme is likely to involve the imposition of a levy on all tyres sold in Australia (the levy will be paid by producers and importers of those tyres), the payment of benefits to recyclers of end-of-life tyres, and the introduction of some form of underpinning/supporting government regulation.

### State or Territory Schemes

MTAA understands that a number of state and territory governments have in place programs specifically designed to reduce the amount of used or end-of-life product going to landfill and/or entering the waste stream. Many of MTAA's Member Associations are working with their respective governments in educating and assisting retail motor traders to improve their waste disposal methods. Nationally, the Member Associations of MTAA have received funding from the Department of the Environment and Heritage, under the Green Stamp Program, with the aim of improving waste disposal methods in the trades. The Green Stamp Program is an eco-efficiency agreement between the Australian Government and the Member Associations of MTAA which aims to help the retail motor trades to pursue practical, effective strategies for minimising the environmental impacts associated with the retail motor trades.

### *Overseas Experience*

MTAA understands that product stewardship schemes for a variety of automotive products, including waste oil and end-of-life tyres, have been introduced in a number of other countries including Canada, Japan and in the European Union.

## **2.3 RECYCLING / REUSE**

MTAA considers that recycling can be an effective means of partly addressing the impact that certain end-of-life products have on the waste stream. The Association therefore considers that governments should adopt policies which encourage greater recycling of suitable products. Such policies could range from policies which require products to meet certain minimum recycling requirements to policies which encourage the development of a sustainable recycling industry or the reuse of suitable products. The Association notes however that for some products, recycling or reuse may not be appropriate or may not be an economically viable proposition. For example, safety and environmental considerations may preclude the reuse of certain automotive components including seat belt pre-tensioners, airbags and catalytic converters.

While safety and other considerations may limit the type of automotive components which can be reused or recycled, there are still a large number of automotive components which can be recycled or reused. MTAA considers that the appropriate reuse or recycling of such parts should be encouraged by governments and industry alike, as it will help to reduce the volume of end-of-life automotive products entering the waste stream and will also maximise resource

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efficiency. MTAA also considers that the Australian automotive industry and the Australian Government need to consider developing a policy on end-of-life vehicles and components.

### *Australian Experience*

Australia has a strong automotive parts recycling sector which encourages the reuse or recycling of automotive parts where appropriate. However, the Association is not aware of any formal government policies which specifically address the reuse, recycling or disposal of end-of-life vehicles. As discussed above, there are a number of formal government policies which specifically address the reuse, recycling or disposal of certain automotive components (oil and tyres).

### *Overseas Experience*

MTAA understands that the European Parliament and Council passed a Directive on end-of-life vehicles in September 2000 (Directive 2000/53/EC)<sup>1</sup> and that Directive establishes a European Union-wide framework for addressing the issues associated with end-of-life vehicles, including storage, disposal and recycling. A subsequent Commission Decision (2003/138/EC) further outlines the requirements for manufacturers to mark components made from polymers or elastomers in order to avoid the mixing of incompatible products during recycling.

MTAA also understands that the European Parliament and Council recently passed a Directive on the reusability, recyclability and recoverability of motor vehicles (Directive 2005/64/EC)<sup>2</sup>. That Directive will require Member States of the European Union to refuse the registration, sale or entry into service of a new vehicle unless the vehicle is recyclable and or reusable to a minimum of 85 per cent of its mass; and reusable or recoverable to a minimum of 95 per cent of its mass.

The Directive also places restrictions on the reuse of certain components in the construction of new vehicles. Components which cannot be reused include those which perform a safety function (for example, airbags and seat belt pre-tensioners) and those which perform an environmental function (for example, catalytic converters). While the Directive applies to all new passenger vehicles and light commercial trucks (up to 3.5 tonners), it does not apply to special purpose vehicles, multi-stage built vehicles or small series vehicles. At this stage, it is proposed that the new requirements will come into effect on 15 December 2008.

Under the Directive, manufacturers will need to demonstrate 'to the satisfaction of the approval authority' that the relevant vehicle type has been designed and constructed in accordance with the requirements of the Directive. It is envisaged that manufacturers will need to submit a detailed set of calculations on the recyclability, reusability and recoverability of the vehicle type to the relevant approval authority in order to satisfy this requirement. It is not intended however that manufacturers will need to submit calculations for every vehicle that they manufacture; instead, it is intended that manufacturers will need to submit calculations for a limited number of 'reference' vehicles.

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<sup>1</sup> Please refer to Appendix 1 for a copy of the Directive.

<sup>2</sup> Please refer to Appendix 2 for a copy of the Directive.

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Those ‘reference’ vehicles will be selected by the relevant approval authority in consultation with the manufacturer and will be selected from the versions within the vehicle type that constitute the ‘greatest challenge’ in terms of recyclability, reusability and recoverability. The selection of a reference vehicle will be based on a number of factors, including the type of bodywork, the available trim levels and the optional equipment (for example air conditioning and alloy wheels) which can be fitted to the vehicle under the manufacturer’s responsibility.

The European Commission expects that the Directive will have a significant impact on the development of new vehicles and that some manufacturers may need to make design changes to vehicles in order to assist the dismantling process. The Commission also expects that the costs associated with type approval will be significant<sup>3</sup>. The European Automobile Association has apparently undertaken a provisional assessment of the likely cost impact of the Directive and that assessment suggests that the production and development costs for a medium-sized passenger vehicle will rise by between €11 and €55 per vehicle. That assessment also estimates that the cost savings associated with the end-of-life treatment of vehicles will range from €5 to €25 per vehicle and suggests that overall cost impact of the Directive may range from a net benefit of €14 per vehicle to a net cost of €50 (noting however that the overall cost of the Directive is unclear).<sup>4</sup>

MTAA understands that vehicle manufacturers apparently opposed the inclusion of provisions relating to end-of-life vehicles in the European Community’s type approval process on the basis that it would require them to collect and submit a substantial amount of technical data.

The adoption of these Directives shows that discussion and consideration of ‘end-of-life’ issues associated with automobiles and automotive components is much further advanced in the European Union than in Australia.

#### **2.4 NATIONAL COORDINATION OF POLICIES**

MTAA supports a uniform national approach to addressing waste generation and resource efficiency issues associated with motor vehicles and vehicle components. MTAA considers that such an approach is appropriate and likely to be the most effective way to deal with those issues as most, if not all, are national in their scope. As many motor vehicles and components are imported, and the waste issues associated with motor vehicles and components are national in their scope, the Association considers that the Australian Government has an important role in the co-ordination and development of any policies introduced to address waste generation and resource efficiency issues associated with motor vehicles and components.

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<sup>3</sup> European Commission (2004) *Proposal for a Directive on the Type-Approval of Motor Vehicles with Regard to their Reusability, Recyclability and Recoverability*.

<sup>4</sup> As above.

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### **3. Conclusion**

MTAA suggests that the Productivity Commission may wish to consider making the following recommendations in its report:

*Recommendation 1*

That the Productivity Commission recommends that the Australian Government, in consultation with automotive industry stakeholders, develop a national policy on end-of-life vehicles;

*Recommendation 2*

That the Productivity Commission recommends that governments encourage and support, where appropriate, the use of recycled automotive parts; and

*Recommendation 3*

That the Productivity Commission recommends that government policies do not discourage activities, such as tyre retreading, which prolong the life of automotive parts.

**MTAA  
National Secretariat  
Canberra  
February 2006**

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**4. Appendix 1: *Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end of life vehicles***

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- 5. Appendix 2: Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and amending Council Directive 70/156/EEC**

