



7 July 2006

Waste Generation and Resource Efficiency Inquiry  
Productivity Commission  
LB2 Collins St  
Melbourne VIC 8003

**Re: Comments on Draft Report**

Further to its initial submission to the Waste Generation and Resource Efficiency Inquiry, Visy provides the following comments on the Productivity Commission's draft report.

Visy is perplexed by many of the Commission's draft findings and recommendations. While it supports much of the general approach, such as highlighted in the concluding comment that "waste management options need to be chosen after careful consideration of all the costs and benefits, whether financial, environmental or social in nature", Visy does not see evidence that the Commission has properly costed the full impacts of waste management or resource efficiency through the product lifecycle. As this costing has a significant bearing on many of the draft findings, Visy suggests it needs to be re-examined.

***EPR and Product Stewardship***

Before discussing the issue of valuation in detail, Visy does generally support the approach calling for a more robust and informed policy debate and setting. Visy welcomes the draft findings on the principles of good regulation and the need to more closely examine the role and function of EPR and product stewardship schemes. On the last point Visy welcomes the Commission's recommendation that the review of the National Packaging Covenant be expanded and looks forward to further specific recommendations on what issues should be examined.

***Waste Hierarchy and Target Setting***

Visy notes with interest the discussion and draft findings on the issue of the waste hierarchy and target setting. While the Commission finds that the waste hierarchy should not override evidence-based policy evaluation (draft recommendation 7.1) and that waste minimisation and recycling targets should not be imposed (draft recommendation 7.2), it does nonetheless note

that these tools have communication, motivation and education benefits. Visy submits that the use of clear and concise communication tools and the setting of aspirational targets is indeed a key function of good waste policy. While the difficulties around appropriate measurement and reporting are noted, such tools should be retained and used in waste management policy while not being set in regulation or legislation.

### ***Information and Institutional Issues***

Visy supports the Commissions findings regarding improved data gathering and information management. As discussed by the Commission, the lack of uniformity of data gathering in waste and recycling across Australia is an impediment to both policy development and industry growth. The discussion on the potential benefits that may arise from a reconsideration of responsibility for waste management, uniform waste classifications and land use and planning is welcome but needs further specific actions. Given the constitutional and Governmental complexities in achieving these potential benefits how does the Commission recommend further assessment and debate on these issues?

### ***Perverse Outcomes of Other Regulations***

The draft report does not make a broad enough analysis of the complexity of legislation and regulatory issues that impact upon the financial viability and environmental performance in waste management and recycling. While there is discussion on planning, product standards, OH&S, energy efficiency and waste classifications, this does not provide an analysis on the inquiry's key objective, how resource efficiency can be optimised and opportunities through the product lifecycle assessed to prevent and / or minimise waste generation by promoting resource recovery and resource efficiency (Terms of reference, page v).

Visy would suggest that this lack of a full assessment is because the Commission looked at waste management and resource efficiency largely as a single entity or continuum. The fact is that it is not. The issues should be examined from the perspective that waste management as an industry and a service is primarily a utility provided to residents and businesses but that resource efficiency relates to the broader economy, industry and community and is helped or hindered by a much wider range of laws and regulations.

Visy suggests the simple view of waste management and resource efficiency amounts to a lost opportunity to assess how regulatory requirements that impact upon waste management may hinder or help the growth and performance of the waste industry and also how regulatory requirements impact on all industry and the wider economy.

As an example, the draft report briefly discusses energy efficiency standards (page 282) only from the view of the potential to create more waste to landfill. Of more interest should be the recent move by a number of Governments to introduce energy, water and greenhouse gas reporting regulations. These

new regulations are enforced upon industry based only on the volume of energy, water or greenhouse gas. Those that exceed the volume threshold set by Governments are obliged to undertake certain reporting activities and, in many cases, produce plans for increasing energy efficiency or reducing emissions.

The fundamental problem with this type of regulation is that it gives no recognition for existing resource efficiency, it is based only on a volume measure. Therefore a manufacturer who uses recovered materials (that avoid landfill and greenhouse emissions) and thereby converts products with great water and energy efficiency, faces the same regulatory requirements as a manufacturer using virgin materials and wasting energy and water.

Achieving good economic, environmental and social outcomes in waste management and resource efficiency in Australia is significantly impacted upon by a wide range of regulations and laws. The Commission should consider how a broader examination of the inter-relationship of regulations and laws can be done and how Governments and policy setters may consider the waste and resource efficiency impacts of their regulations and laws.

### *Impact of landfill*

As noted above, Visy does not see evidence that the Commission has properly costed the full impacts of waste management. As this costing has a significant bearing on many of the draft findings it seems to have influenced the entire theme of the report and lead to conclusions such as "...most people would recognise that there are diminishing returns in pursuing more of any activity including recycling, and that we seem to have picked most of the low hanging fruit already".

Visy rejects that conclusion. There is no evidence in the report to support this statement and it seems to arise from the Commission's narrow assessment of the impacts of landfilling and the narrow assessment of resource efficiency and resource recovery.

Evidence exists to the contrary. For example, the total amount of all paper products being used in Australia is estimated to be about 4.1 million tonnes (ABARE and A3P, 2004) and recovery and recycling about 1.6 million tonnes (MS2, 2005) giving an overall recovery and recycling rate of 39%. This would suggest there is still both "low hanging fruit" and significant opportunities for increased resource efficiency.

In general terms the draft report seems to dismiss broad environmental and social accounting in assessing resource efficiency and landfill impacts takes a very conservative approach to what it considered to be the total external costs of "best practice" landfill. This approach has resulted in conclusions such as draft finding 4.1 that claims the total external costs of landfills is likely to be less than \$5 per tonne of waste. As this is a central finding that seems to direct

many further conclusions and findings, it needs re-examining and assessment against real-world practices.

The assessment the Commission made is very narrow. It does not place a value on the full range of environmental or social impacts from landfills. For example, some State Governments require landfill guarantees for remediation of landfills. These sums could assist in estimating environmental externalities.

Also, the assessment and findings related to greenhouse gas (GHG) from landfills is confusing. The Commission uses its interpretation of “best practice” landfills with methane capture and electricity generation as a benchmark of the total cost of landfill (“...likely to be less than \$5 per tonne...”). However, in section 8.5 the Commission specifically does not support the installation of gas recovery systems at landfills and draft finding 8.3 states that compliance with landfill licence conditions in Australia is poor.

Further to the Commission’s admission that landfill standards are generally poor, Visy suggests that the Commission’s interpretation of “best-practice” landfill is in fact only the bare legal minimum requirement.

Therefore if gas recovery is not recommended and most landfills do not operate to licence conditions and “best practice”, why is this assessment used?

Even if the Commission has chosen to ignore submissions that propose broader valuations of the external costs of landfill, the draft finding 4.2 is not credible by the Commission’s own other findings.

This assessment is also conservative because it seems to be a very narrow assessment of the impacts of GHG from landfill. The Australian Greenhouse Office (AGO) and other international authorities identify that emissions from waste from landfill account for up to 5% of total GHG emissions. Further, when considering how much GHG is captured, the AGO currently uses the figure that only 16% of GHG emissions from Australian landfills is being captured. It should be noted that while that is the official AGO figure at present, Visy considers it is too high and does not reflect actual landfill performance in Australia. This again suggests the assessment used and total estimated cost is extremely low.

It should also be considered that while the draft report finds that GHG is “... the largest single contribution to the external costs of landfills...” (page 65) but then concludes that “...greenhouse gas externalities should only be addressed within a broad national response to greenhouse gas abatement...” (draft finding 8.2), this is not happening in Australia. While there are State-based schemes and national energy targets that encourage gas capture at landfills, the Australian Government’s current policy on GHG abatement does not recognise avoiding the gas creation in the first place through the diversion of waste from landfill.

Over the last eight years Visy has undertaken life cycle analyses of the GHG impacts of diverting waste paper from landfill and using it to remanufacture paper products compared with the landfilling of that paper material. On current AGO formula, every tonne of paper that is diverted from landfill saves more than 2 tonnes of GHG / CO<sub>2</sub>(e). Visy's GHG impact from making paper is about 1 tonne of GHG / CO<sub>2</sub>(e) per tonne of paper. It is therefore a significant environmental benefit for paper to be diverted from landfill and used to make paper.

Despite facts such as these and the Commission's own recognition that GHG is "...the largest single contribution to the external costs of landfill...", the Commission is effectively recommending that nothing be done to address this externality.

The costs and benefits are not recognised in greenhouse policy and the Commission recommends they not be addressed in waste policy.

Visy argues that significant GHG reduction, resource efficiency benefits and industry growth could be achieved in Australia if regulations internalised the environmental cost of GHG emissions.

### ***Resource Recovery and Resource Efficiency***

In general, Visy encourages the Commission revisit the submissions with a broader interpretation of one of the key terms of reference which calls for particular regard to the economic, environmental and social benefits and costs of optimal approaches for resource recovery and efficiency and waste management.

It is Visy's experience that what is called "waste" is a misplaced concept. Visy has generated significant economic, environmental and social benefits by diverting so-called "waste" from landfill and using it to make new products. This approach views any by-product as a potential resource and landfill is a last resort for materials for which no alternative purpose can be found.

This approach to resource efficiency generates jobs, reduces energy and water consumption in manufacturing and reduces greenhouse gases. These costs and benefits have been quantified in submissions to the inquiry however the Commission seems to have ignored and dismissed these issues in assessing the costs of waste management and landfill.

### **Concluding comments**

As stated in its original submission, Visy Industries has an over-riding corporate philosophy that seeks to recycle and re-utilise all products and energy that can feasibly be utilised in its paper and packaging manufacturing business.

Visy believes there are major opportunities for additional investment in resource recovery and recycling in areas such as wood residue, waste paper, plastics, glass and metals.

Visy has a large capacity for undertaking new recycling and manufacturing investment within Australia if it can ensure a stable supply of feedstock from the waste stream.

In addition, and consistent with its closed-loop philosophy, Visy is committed to being as energy-efficient and water-efficient as possible. This includes, where feasible, installing new capacity to generate energy from “last resort” materials otherwise consigned to landfills or other non-use fates.

Visy sees that the economic, environmental and social benefits that arise from these activities and opportunities should be considered and incorporated in good waste policy.

The Commission’s draft report provides some positive frameworks for better assessing and developing good waste policy but the narrow cost assessment on landfill impacts does not account for the potential benefits from resource recovery efficiency. These aspects do deserve consideration when developing good waste policy.

Visy representatives would be happy to provide additional information and comment to the Commission during the conduct of its Inquiry.

Yours sincerely

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