



**TRANSCRIPT  
OF PROCEEDINGS**

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**PRODUCTIVITY COMMISSION**

**DRAFT REPORT ON WASTE GENERATION AND RESOURCE  
EFFICIENCY**

**MR P. WEICKHARDT, Presiding Commissioner**

**TRANSCRIPT OF PROCEEDINGS**

**AT CANBERRA ON MONDAY, 31 JULY 2006, AT 9.06 AM**

**Continued from 27/7/06 in Brisbane**

**MR WEICKHARDT:** Good morning, ladies and gentlemen. Welcome to the public hearings for the Productivity Commission inquiry into waste generation and resource efficiency. My name is Phillip Weickhardt and I am the presiding commissioner on this inquiry. The inquiry started with a reference from the Australian government on 20 October 2005. The inquiry will examine ways in which waste management policies can be improved to achieve better economic, environmental and social outcomes. The inquiry covers solid waste, and more specifically the issues associated with municipal, commercial, industrial, construction and demolition wastes.

We're grateful to the many organisations and individuals who have already participated in the inquiry. The purpose of these hearings is to provide an opportunity for interested parties to discuss their submissions and their views on the public record. We released the draft report on 23 May 2006 and have received a number of submissions on the draft report. We have already held hearings in Perth, Brisbane and Sydney and by the end of next week hearings will also have been completed in Melbourne.

After considering all the evidence presented at the hearings and in submissions, as well as other relevant information, a final report will be forwarded to government in October 2006. Participants in the inquiry will automatically receive a copy of the final report. We like to conduct all hearings in a reasonably informal manner but I remind participants that a full transcript is being taken. For this reason comments from the floor cannot be taken but at the end of the proceedings for the day I will provide an opportunity for anyone wishing to do so to make a brief presentation.

Participants are not required to take an oath but are required under the Productivity Commission Act to be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions or by other speakers here today. A transcript will be made available to participants and will be available from the commission's web site following the hearings. Copies may also be purchased using an order form available from staff here today. Submissions are also available on the web site or by order form.

To comply with the requirements in the Commonwealth occupational health and safety legislation I draw your attention to the fire exits, evacuation procedures and assembly points. The fire exit is straight out this door behind most of you and to the right and I'm told that if there is a need to evacuate a fire warden will arrive here and direct us to the appropriate location. Can I ask the audience to please turn their mobile phones off or to turn them to silent. I would now like to welcome DEH as our first participant. For the transcript perhaps you would just identify yourself and the capacity in which you're appearing.

**MS HARWOOD:** Mary Harwood, first assistant secretary, environmental quality

division.

**MR BAINTON:** Paul Bainton, director, environmental stewardship team, environment quality division.

**MS AYLIFFE:** Lyndon Ayliffe, assistant secretary, environment standards arranging, environment quality division.

**MS CHONG:** Joanne Chong, assistant director, environmental economics unit, policy coordination division.

**MR WEICKHARDT:** Thank you very much indeed and thank you for your submission which you should assume we have read with great interest. You might like to make some introductory remarks and you should assume that we have got lots of questions.

**MS HARWOOD:** Yes. I will just make some brief remarks about the sort of character of our submission. Your report covers a number of areas that are outside our jurisdiction and our submission focuses on some four main areas of national concern where we think the report could be strengthened before it's finalised. Firstly, the role of the Australian government. We think the commission could acknowledge the value of national leadership on waste issues of national significance and we asked the commission to give greater attention to the role that the Australian government should play on waste management issues.

Also there's already substantial machinery in place for policy making on national waste issues. There's rigorous work to clarify the problems being addressed. The regulatory impact statement process involves detailed cost benefit analysis and also there's a whole of government process for approval before any recommended action moves forward. So in our view for nationally significant waste issues a harmonised approach provides greater benefits than disparate approaches taken in different jurisdictions. We think perhaps the report could acknowledge more that industry is itself seeking harmonised action on many issues and industry including the waste management industry thinks in terms of national markets and has called for greater coordination of waste policies.

The second area is the value of product stewardship. Product stewardship allows all parties to look at the life cycle impacts of a product along the supply chain. This allows us to define the nature of the problem and better understand the options for and the impacts of possible solutions. Product stewardship allows us to determine responsibilities for action in the most appropriate and efficient way. Co-regulatory product stewardship arrangements developed according to best practice policy guidelines can deliver economic and environmental benefits in a wider range of applications than those suggested by the commission in the draft

report. These arrangements allow for innovation, flexibility and market efficiencies while addressing the problem of free riders.

In pursuing product stewardship we don't claim that the governments know the best way to fix waste management problems. Indeed, the concept of product stewardship relies on bringing together all of the affected parties, both government and industry, to work together to develop the best solutions.

The third area that our submission covers is the difficulty in measuring environmental costs and benefits and the implications for cost of benefit analysis and for policy making. The essence of our concern is that economic costs and benefits are relatively easy to quantify in dollar terms but environmental benefits from action or the costs of inaction are difficult to quantify in dollar terms: how should we value services as amenity and biodiversity? How should we value the community's desire to do something as well?

Traditional cost benefit analysis can show an inherent bias towards inaction on environmental issues. The things that are easily measured are given greater weight in decision-making. The commission could usefully highlight the role the Australian government can play in developing better nationally agreed methodology. Also a precautionary approach is needed when considering the potential risks associated with waste streams. It's entirely proper for the government to identify and address possible risks to the environment and to future generations.

The fourth area that our submission covers is the scope of waste policy. In this it's really perhaps just subtle differences of presentation in our view and that presented in the report as to what the scope of waste policy covers. Our product life cycle linkages mean upstream interventions can be legitimate and appropriate for achieving downstream outcomes. We don't argue that waste policy should be used as a panacea for the world's ills. Clearly there are more appropriate ways of targeting upstream impacts such as greenhouse or inefficient patterns of material, water and energy use but we do argue that policy makers can legitimately consider interventions at various points in the product life cycle in order to reduce adverse disposal impacts. Also measures which target waste impacts can lead to benefits upstream.

Most waste thinking is about far more than what goes in the garbage truck to the local tip. Waste managers today look through a wider prism. They may look upstream to optimise the design of products and consider replacing problematic components with less hazardous ones. Waste managers also have to deal with increasingly complicated materials such as electronic waste in increasing quantities. We need to be smarter about the nature of such products and encourage products and materials that tread more lightly on human health, the landscape and the economy. Also in this area there's a strong need to better inform communities than to lift the

level of debate on waste issues and your report acknowledges this. This will help achieve better policy outcomes. Good policy requires good information and that's another area where we think you could highlight the role for the Australian government so we look forward to discussing all these issues with you.

**MR WEICKHARDT:** Good. Thank you very much indeed. Let's start at that point which is, it seems to me, a fairly critical one and that is the issue of community concerns. Clearly they need to be taken into consideration but I would support your viewpoint that the community concerns need to be shaped by factual sort of debate. It appears that in some cases we have examples where politicians react to perceived community concerns in some cases fanned by NGOs or by what somebody in the Sydney hearings described as policy envy here from actions taken overseas supposedly in response to community concerns and yet in some cases the community concern is not necessarily shaped by what some observers would claim as a totally rational debate.

Events in Toowoomba over the weekend would suggest that sometimes fear campaigns, scare campaigns, can give rise to a community reaction that other analysts would suggest is not necessarily rational. I think your discussion or your comments in your submission around the energy from waste debate is another area where despite all sorts of input, most communities react adversely to the thought about any form of energy for waste facility in their backyard.

I think we've seen the same phenomena around the area of Product Stewardship campaigns which get a momentum and it's unclear in some cases what the real objective behind the Product Stewardship campaign is. What the real concern is - can you give me any insight as to how you think some form of early informed debate could better be stimulated before politicians and regulators start reaching for regulatory responses so that they're not reacting to a community concern that's uninformed by the debate and the analysis of the facts.

**MS HARWOOD:** The essence is having access to good information about the issues at hand. In the process for identifying issues of national significance in Australia there is work in the early stages to look at the character of the impact of the waste and to gather better information about that. That sort of pursuit of a better information base characterises the policy development process. But the fact is for many of these areas the information base is poor. So it's really - the better the information about the actual character of hazard or risk, and also the actual machinery of the production life cycle and the way in which it works, the better understanding of those things the more likely you are to come up with an effective solution that's well targeted and cost efficient and that also is going to gain broader agreement for sort of working in the real world.

**MR WEICKHARDT:** So what actions do you think the federal government could

take in a leadership role here to both generate the facts - because often it seems that in these examples where Product Stewardship campaigns get ahead of steam, or EPR schemes get ahead of steam, that it's the industry who come back and sort of say, "Well, here are the facts around this particular issue" and try to put some of the counter arguments in place, and not surprisingly members of the community say, "Well, they've got a vested interest here," so they're not seen as being independent.

**MS HARWOOD:** Is there a particular sector that - - -

**MR WEICKHARDT:** Let's talk about the computer area, for example. It's still unclear from what I've read - and I accept that that's a limited part of the total literature that's been published here - it's still unclear to me what the real issue is of concern that's requiring an intervention around computers. Some people would say that it's all around a resource of recovery motivation. If so, I'm not sure why private operators aren't, you know, sort of prepared to get involved in that. Others say it's around the risk of toxic materials leaching from these computers if they are disposed of in landfill.

Again I've seen other people dispute that that's a risk at all, and I haven't seen very much analysis of examples where people have tried to ascertain whether there is a real risk here or not.

**MS HARWOOD:** I might start, but Paul can comment on this as well as he's been involved in the development of the scheme for computers. I mean, some of this comes down to where you sit on the precautionary divide in terms of - or the approach to precaution in addressing risks associated with these products. The fact is that the electronic waste stream - and computers in particular - is growing at, you know, a dramatic rate. The sheer volume of waste electrical products is increasing faster than other waste streams.

Now, associated with those products are hazardous materials - there's a suite of risks. If you put in sort of - last night I was looking this up on the web and I put in sort of "e-waste problems or hazards" or whatever, and a plethora of things will come up with very structured, scientific descriptions of all the problems associated with computer waste. Then there's the question of in a well-managed landfill can we be sure that those in the longer term - that the problems associated with putting those products into landfill will actually be contained in the longer term and the groundwater leachate problems won't occur. let alone in not so well-managed landfills of which we also have a large number.

So there's that element. There's also looking at if there is a problem associated with this waste stream and it is growing very rapidly, is it not worth looking at the lifecycle of production for computers to see are there ways that could result in those problems being mitigated before they arise in the waste stream; like a willingness to

look in the lifecycle - the production chain of that product? So the process of looking for a - (a) the character of the problem on computers and for a solution is one that sort of happens in tandem: looking to understand those risks better and then looking to where the most effective way of addressing them might arise. I don't know if Paul wants to add to that.

**MR WEICKHARDT:** Can I just agree with you that obviously looking to see if you can eliminate the problem upstream makes sense and one would hope that that sort of activity takes place anyway, albeit that, you know, in most theatres of activity one action has some other - not necessarily Newtonian equal and opposite reaction, but it has some other reaction, and examples were quoted during the first round of hearings of people wanting to eliminate lead from solder to eliminate the risk of lead leaching out of products that were disposed, and then said, "Well, lead-free solder is much more brittle and solder containing lead." So it led to the early failure of much more equipment.

So you have these sort of funny, perverse actions. I note with interest the debate about the brominated flame retardants. In my youth I was actually in the plastics industry in Europe at the time that the industry was basically beaten over the head with a large stick to introduce flame retardants into plastics because of fire hazards. Now we have a problem in waste disposal. So I guess the idea of taking early intervention is a good one, but the process of sort of considering whether or not one action is likely to in totality give a better outcome is a pretty important one.

I'm just concerned that in some cases it would appear because of a sort of concern that's easy to inflame, action is being promoted without a thorough analysis of all the facts. I mean, most of us of our generation have heavy metal in our bodies: mercury amalgam fillings. It's actually not a risk, but you say to people, "If I wanted to get a scare campaign up against sort of mercury and heavy metals in human proximity, you could easily found that."

**MS HARWOOD:** But I think the process is more rigorous than you give it credit for in terms of the way it operates in Australia in looking at managing these waste streams; both in early stages but also if a scheme is being developed and you're at the regulatory impact statement stage, there is a very thorough assessment of the character of the problem and the options for dealing with it and their costs and benefits. So within the constraints of the resources available to do that, but - so I think that there is more rigour to the analysis than you say.

**MR WEICKHARDT:** You do make that point in your submission and talk about rigorous analysis and then point "within the available limitations of the data". You know, I think if you went along to the Therapeutic Goods Administration branch and said, "We've analysed this drugs toxicity to 55 decibel points with the best computer, but we only tested three patients", they'd throw you out. But we're getting actions

being promoted like the National Packaging Covenant for example with very limited data and we're saying, "Well, within the limitations of that data we're doing rigorous cost benefit analysis." I mean, forgive me, but I don't think it's possible to do rigorous cost benefit analysis unless you've got fundamentally rigorous data to support it.

**MS HARWOOD:** But if there's a problem identified and governments have agreed to act on it or to see what action may be necessary, in the real world they have to work with the data that exists and to seek - you know, they can commission work to seek additional information to better understand the problem and that often happens in these cases.

**MR WEICKHARDT:** I guess that's where I started, and in terms of trying to sort of understand what we might do we've got to recognise the political reality of where we are today, but how can we in future, and how can the Commonwealth government in future ensure that there is a factual base supporting some of this stuff before it becomes part of an area that's got political momentum and lots of emotional concerns in the community?

**MS HARWOOD:** I mean, that's an interesting question in terms of for many of these waste streams they're topical and you know controversial across the world. So if there is work on them in Europe and America and action to address them, to some extent that's going to have a powerful influence on community expectations and attitudes in Australia. We can do our best to inform the debate with the real world facts from Australia as we have them, but people have access to ample information about the potential risks of these products and the schemes that others are considering. So in the real world there's an abundance of information about these product streams.

**MR WEICKHARDT:** It's interesting. We seem, bizarrely enough, to want to copy and imitate perhaps some of the more perverse examples of European action. I mean, you say 73 schemes under the electrical waste, you know, sort of area - is it WEEE? Yet we disregard German experience or Swiss experience with energy from waste, and we say, "Well, that's irrelevant. We wouldn't want to imitate that sort of thing. The community here don't like that." So politicians seem to run a million miles when those sort of schemes come up, but politicians point at European experience in some of these other areas and say, "We ought to have one of those because Europe's got one."

**MS HARWOOD:** I suppose we're speaking from the point of view of the bureaucrats doing the work on this stuff and assessing it. I'm not speaking for the politicians as I understand it in their perceptions of the problem. But I think it's not that simple in terms of - and I think there is a more considered and certainly a more measured approach to dealing with these waste streams than rushing at overseas



solutions and copying them. I mean, the slow pace of many of these schemes in development is a reflection of the fact that people are taking it in a considered way and working with all the different interest groups to find out the character of the problem and look for the most appropriate solution. But Paul might like to comment.

**MR BAINTON:** I guess focusing on the energy from waste issue, there have been attempts throughout the last 10, 20 years to try and introduce facilities. One of the major problems is that the communities may have felt that these have been imposed on them. I guess the scheduled waste example of organochlorine wastes, that sort of program, that was a very extensive community involvement program, management plan development, and people did embrace alternative technologies through that program. That was prompted by the attempt to try and place a high temperature incinerator throughout Australia. The result of that program which involved broad based community discussion, informed debate, did result in a community acceptance of alternative technologies. I'm not suggesting that we go to the same extent to deal with energy from waste, but we could learn from that experience and I believe that we may find greater acceptance of carefully managed energy capture technologies.

One of the other points I'd like to raise is that we're not simply in Australia - I think we're very fortunate in that we can see what's going on overseas and, yes, that has its downsides in that it might push the community to actually want to follow suit, but we have learnt from experience overseas. The packaging covenant's often much aligned in many ways, but we did learn from what was happening overseas with the covenant and the industry wanted something which was much more appropriate for Australia. That's how we came around the table, we talked about the different approaches and, yes, we didn't have the data upfront, but that was part of the negotiation process. It wasn't possible in the first covenant to require comprehensive robust data because that wasn't part of the negotiation process.

With computers - the other area I should say with the restriction of hazardous substances, we're not looking to jump as quickly as may be implied along the track that, in fact, many European countries are moving, but what we're trying to do is understand what's appropriate for Australia. What are the risks that we're dealing with and what are the best ways of managing those risks. For example, many countries overseas will be moving towards RoHS compliance, the restriction of hazardous substances; will that be sufficient within Australia. Will the markets respond to that, and if they don't respond what are the risks to Australians, not only in well-managed urban landfills or around surrounding well-managed urban landfills but beyond that into the remote and rural areas.

I think as a national government we have a responsibility to look nationally, and I think your first report, whilst it highlighted that well-managed landfills exist in the major metropolitan areas, there is some need for improvement in some of the remote areas. So I'd just like to put those two examples of RoHS and the covenant on the

table to say that we're not being reactive and simply following suit, we're trying to find the best approach.

**MR WEICKHARDT:** Well, that sounds eminently sensible. I guess I was going back to your comments about where can the Commonwealth have a role, and I was really wanting to test with you whether you felt there was adequate funding and adequate sort of research and adequate support for some sort of independent body to act as a dispenser or an analyser of facts in this area rather than just fanning emotional fears. You know, could CSIRO play a role, for example, in this area in terms of analysing what some of the risks are in a credible way.

**MS HARWOOD:** I think there would be real value in a stronger base of research, CSIRO or whoever, looking at both the physical risks like the actual character of the risk associated with different waste streams, particularly for burgeoning waste streams such electrical waste. As well as that there's the area of just basic waste data collection, like really understanding the character of the waste stream across Australia, and also work on the methodologies for assessing or quantifying the environmental costs and benefits of both inaction and action so to be better able to. It's easy to work out what it is going to cost industry to do something, or relatively easy, but it's not easy to quantify in economic terms the downstream impact of sending millions of tonnes of stuff to landfill across a range of landfill standards in Australia and, sort of, how to work out what is the real risk associated with those streams and then what is the real benefit derived from acting in different ways on that stream.

**MR BAINTON:** I think this is a good example. We use CSIRO to do some end of life impacts on PVC. I think it's important not to lock into one particular service provider, we need to test the market, but we have certainly used CSIRO in that capacity to try and understand again what is the real risk here, and that came out with some good findings which pushed back into some of the less informed community views.

**MR WEICKHARDT:** I mean, I take your point entirely that analysing some of the environmental and social impacts is extremely difficult. You made the point that sometimes the financial costs are easy to ascertain and those other environmental and social ones are harder to ascertain. I don't think I would argue with that at all, but you went on to say sometimes the costs are given prominence and the environmental and the social issues are underplayed. I mean, I think there's an equal risk that they can be overplayed too.

The ecodollar approach that ITU Nolan have quoted, as we said in the draft report, we thought in some of the attempts we'd made to analyse that had been over exaggerated. So no dispute that it's hard to do and no dispute that it's important, but there's a risk both ways that, you know, if those figures are over-egged you may end

up supporting actions that actually are not in the community's best interests. Now, we're still hoping that ITU Nolan will help us delve deeper into that to improve our understanding of that. As yet we still haven't had a response from them to the letter we sent after they sent us a submission saying we'd got it all wrong and we're still not quite sure why we've got it all wrong.

**MR BAINTON:** On that issue I don't think that Nolan-ITU would say that their approach is the final word, but we need to move into a more mature phase and it's not just the responsibility of one company who is doing work for other clients, I think nationally we have a responsibility to try and engender debate in this area and to find some reasonable solutions on how you do value. I guess like any new area, like economics is well established and even with economics there are different opinions, and likewise with environmental economics, we need to take what we have and not dismiss it simply because it's not quite right or not right, not as accurate as it could be, but we need to develop that thinking and add a bit more rigour to the process - sorry, not saying it isn't rigorous.

**MR WEICKHARDT:** Yes, and that comes back to this issue of collecting and understanding facts. Now, coming back to risks, I mean, you've said, well, governments have a responsibility if there is a risk to act in a precautionary manner. I understand that, but are you aware of any work that has been done in Australia, for example, trying to quantify whether the increased disposal of computers, which I assume has been going on now for about a decade, has led to any, you know, sort of material observed in the monitoring that EPAs do around landfills. Is there any evidence of elevated levels of leachate?

**MS HARWOOD:** I'm not aware of any; we could see what's about. I think the "e-mountain" is just on its way here, that is, that the waste stream is expanding but the real sort of mass bulk increase in discarded electronic equipment is yet to come.

**MR WEICKHARDT:** I mean, I accept that that's probably the case and it may take many decades before this manifests itself, but I wasn't aware whether there was monitoring going on that - - -

**MS HARWOOD:** There's monitoring of landfill sites and in some states there's sort of, you know, ground water checking on a regular basis and so on, but it's really, I think the detail on that, it would be best to seek that from some of the state EPAs as to the character of what they monitor and the way they analyse that.

**MR WEICKHARDT:** Okay. Going back to this varying quality of landfill, you reference in your latest submission the National Environmental Protection Act and you said here, "The agreement's objectives included that people enjoy the benefit of equivalent protection from air, water or soil pollution and from noise wherever they live in Australia." Now, it's been put to us by a number of people in these rounds of

hearings that, you know, "Well, be realistic, please," is the assertion, "How can you expect a landfill operating in, you know, sort of rural and remote locations to possibly have the same sort of standards as one operating in an urban area?"

Whilst on one hand I understand that argument, on the other hand it isn't really a situation I think you can condone from the point of view of intergenerational equity. Who knows what people might be using that land for in 50 years time and 100 years time and simply say, "Well, we thought it was pretty remote at the time so we didn't enforce, you know, sort of standards that we knew were important in urban areas and we just allowed a laissez-faire attitude there because nobody cared." I mean, does the Commonwealth have a role to get tougher using this act about the states taking a more sort of rigorous approach to enforcement of landfill around Australia?

**MS HARWOOD:** It's an interesting question in terms of the role of the act in that situation because really the act comes into play when the Commonwealth and the states together agree to make a national environment protection measure and that process is a very sort of detailed and rigorous process for developing those NEPM. That's not something that the states have expressed interest in nationalising, so to speak, so it's not something that's come under the purview of the act. There's also the question of sort of geographic character, that is, that landfills in different physical situations, both geologically and climate wise, will need different management regimes. So I don't know that a one size fits all is in any way sensible for that but - - -

**MR WEICKHARDT:** It would have to be performance based, surely.

**MS HARWOOD:** Yes, but it's not something that has been identified so far by the states as something that they wish to bring into the EPHC realm for nationally coordinated action.

**MR WEICKHARDT:** But is this an area where the Commonwealth could take some leadership, do you think?

**MS HARWOOD:** It's really a matter that's very strongly under state jurisdiction, that is, it's theirs - you know, constitutionally that area is one for them to manage. So I'm not sure - - -

**MR WEICKHARDT:** I just wonder whether this act - - -

**MS HARWOOD:** - - - other than from a suasive point of view that the Commonwealth has, you know - there's not really agreement for the Commonwealth to come in over the top on that.

**MR BAINTON:** Supporting everything that's said, one area that there might be

value in looking at how the act might be used is, in fact, in monitoring the impacts, what's coming out of landfills. I'm not sure that's what you were getting at but that could be an area for productive work provided, of course, the states - - -

**MR WEICKHARDT:** I was really falling back on the sort of high-level principle people enjoy the benefit of equivalent protection from air, water or soil pollution, from noise, wherever they live in Australia, and that principle seems to me to be an eminently sensible one.

**MS HARWOOD:** It is.

**MR WEICKHARDT:** Pretty hard to argue against and yet, you know, it seems that we've got states just sort of saying, "Well, you know, the facts of life are we're not living by that principle," and as a citizen of Australia quite frankly that troubles me.

**MS HARWOOD:** It's a very valid comment and the aspiration there of an equivalent standard of environmental protection across those different spheres consistently across Australia is admirable. There's countless matters of environmental protection, you know, under state jurisdiction and managed by the states, you know, within their priorities and budgets so probably the issues goes beyond the character of landfill management in terms of seeking harmonised standards of environmental protection across Australia.

**MR WEICKHARDT:** Right.

**MS HARWOOD:** I mean, there are relevant areas of action and it will be interesting to see where NEPMs proceed in the future. For instance, there's a NEPM on assessment of contaminated sites so that there are areas where the Commonwealth and the states have agreed to bring it to a nationally harmonised approach, to have a consistent way of assessing contaminated sites. But in terms of, sort of, management of those sites, the actual regimes that states will employ to deal with them, that's still a matter that's under state jurisdiction and that's a very relevant area to the impacts of landfill and management of them

**MR WEICKHARDT:** Okay. Now, can I turn to product stewardship schemes - and you've made the distinction between EPR schemes and product stewardship schemes in your submission. I mean, I accept the fact that there is a sort of a fine dividing line between the two although they are often used in a way that I think crosses over that. I think that, you know, the idea that an EPR scheme transfers all the responsibility to the producer and all costs to the producer and you say is intended therefore to send a signal to the producer to change something about their design - I mean I understand the concept behind that, the facts of life are however the consumer ends up paying and depending on the competitive dynamics of the market

the consumer always ends up paying. So the issue is how best to get these sort of signals to go around the loop.

But the issue that I really wanted to get to in terms of the interventions around sort of upstream and downstream issues, you on page 17 in the third paragraph make, I think, a very important point. You say:

The calls that various inquiry participants for greater recognition of upstream issues does not constitute (as appears to have been interpreted by the commission) a desire for upstream market failures to be addressed by downstream, ie waste disposal, instruments.

Now, you're right that we have interpreted a lot of calls that have been made to us in that way and indeed I would suggest that a lot of the submissions have directly pointed in that direction so we may have been very confused but I think there are a fair few submissions that have led us to be confused in that way. So can you just explain, other than really good communications and making sure that the signals that are going up and down the chain and therefore any upstream actions are appropriately understood downstream and downstream actions are understood upstream and the price signals are sort of clearly reflected up and down streams and your point and our point that intervention to correct externalities should be as close to the point of problem as possible, other than that sort of really good communication upstream and downstream what is this call that we should have interpreted but have misinterpreted? Can you explain what you actually meant by paragraph 3.

**MS HARWOOD:** Okay. Well, I guess it was that - and maybe we have misread the intent of the comments in the submission - but it appeared to characterise calls for upstream intervention or even looking upstream for intervention as being the tail wagging the dog so to speak, that is seeking to use waste management policy to drive upstream change when other resource management policy might be more appropriate. It was trying to step back from that and say that's certainly not what we're advocating but what we are saying is that it's about much more than looking at the end of the production chain and worrying about what comes out the end and what the impacts are and dealing with that by whatever means - that there is much more value in many circumstances to looking back through the production chain and having that good information and communication that you're talking about and assessing whether the most effective way of intervening in that production chain is to deliver the environmental outcomes that you want.

Waste management policy doesn't happen in a vacuum, there is cross government communication at each level. These initiatives don't move forward in isolation, there's good consultation with other areas of government and other agencies in developing these schemes. So I guess the point is that waste management policy is about much more than just, you know, what is happening at

the end of the production chain but that doesn't mean to say that waste managers are seeking to rule the world, you know, far upstream and it's making that distinction because it - and it's saying it's not an either/or and that, you know, we need to have a more open view of considering the entire production process if we're going to be worried about a waste issue and looking through the chain to where the solutions may best be found.

**MR WEICKHARDT:** Perhaps you could help me if you gave me a for instance.

**MR BAINTON:** I'm not if this is the sort of for instance you're looking at but what we were saying is that there may be value in looking at the pattern of material consumption - not consumption per se but the pattern in which materials are consumed - - -

**MR WEICKHARDT:** This is governments now we're talking about. Government policy I'm focusing on, not the role of private actors in this theatre but governments.

**MR BAINTON:** We don't like to think of ourselves working in isolation from the industry so my comment is about working together with the industry to look at the patterns of material consumption. One program that has come out over the last few years is in fact cleaner production. Now, that has had clear benefits in terms of waste outcomes but the focus upstream on how you produce materials. That was a program that was separate from waste so that wasn't the tail wagging the dog. So that's an example. I don't know if that - - -

**MR WEICKHARDT:** Well - - -

**MS HARWOOD:** I think another example might be the feedback process that happens if people start using packaging materials that are unrecyclable or cause major problems at the disposal end and that by a broader look and communication with industry there can be a willingness to review that and to package in a way that doesn't create what is perhaps an unnecessary problem at the end of the production chain. You don't just go, "This is really difficult stuff, we'll work out a way to handle it," there's communication back upstream to see whether that could change so you don't have to be dealing with the problem at the far end.

**MR WEICKHARDT:** I understand that but what I'm trying to seek to understand is what is the government policy action in that case.

**MR BAINTON:** Sorry, Mary. One of them might be to work with the industry to identify information failures - and he talks about information before. That could be one of the means of working to try and resolve some of these issues or to explore these issues working with the industry. So information was identified in our submission as one area.

**MR WEICKHARDT:** Yes. I understand information failure and I understand, sort of, classification problems and other regulatory impediments but what I'm seeking to understand is when you say, "A greater recognition of upstream issues does not constitute a desire for upstream market failures to be addressed by downstream instruments," what I'm trying to understand is what government action you are actually suggesting that would be taken downstream that has some impact upstream.

**MS HARWOOD:** Really, the government action is working with other jurisdictions and with industry to look at a waste problem in a holistic way. You know, to look through the whole production cycle, the life cycle, and address the problem in the most sensible and cost effective way. So that's, I guess, the sort of policy framework that you're working with.

**MR WEICKHARDT:** So it's a sort of problem solving approach you're saying.

**MS HARWOOD:** It's a problem solving approach and it's seeking to improve the information flow and the understanding of the issue and to derive the benefits that come from that better understanding.

**MR WEICKHARDT:** All right.

**MS CHONG:** Perhaps if I can elaborate just a little bit on that point there. I think the emphasis which you actually captured earlier is that there are all these price signals which go effectively and smoothly up and down the product life cycle. So in reality there are multiple objectives, multiple market failures at multiple stages of the product life cycle so policy intervention to address any one of those directly - we can't just go in and address each of those separately because they will have feed through effects but imperfect feed through effects up and down the product life cycle.

So in terms of government response and policy response it's about information to recognise what those impacts might be and the reality of - it's not about targeting the upstream externality with a downstream instrument but it's recognising that intervening to address a downstream externality will have effects upstream but imperfect due to imperfect market linkages and vice versa. So that's the sort of reality of policy development that we're working.

**MR WEICKHARDT:** All right. Thank you. Going back then to the product stewardship issues. You've suggested that we've been far too, I guess, narrow in terms of areas in which product stewardship schemes might work and it's interesting that in the hearings in Melbourne later this week we've got the Australian Paper Industry Group saying that they're most concerned about the fact that there is some momentum now which I think has been caused by New South Wales pushing



recycled office paper up their list of priority areas.

The paper group are suggesting that they're very concerned by this and that they feel that a product stewardship scheme in this area is not necessary and unworkable and they've endorsed our commentary about product stewardship schemes in the draft report. I'm interested in whether you have a view as to whether the recycled paper area is an area where a product stewardship schemes does make sense, a formal government product stewardship scheme.

**MS HARWOOD:** It's not something that I've, sort of, considered in terms of - I mean, the news print recycling realm is well established and is a sort of real success story in stewardship terms. I don't understand what is being proposed. Is it a preference for recycled paper? Or a targeted volume? What has New South Wales got in mind?

**MR WEICKHARDT:** Well, probably I shouldn't act as a spokesperson for them but I'd draw your attention to submission 199 which in due course you can have a look at which is the submission from the Australian Paper Industry Association. I mean, they express concern that first of all - again, this is coming back to our issue of, you know, do we have the facts - that the facts that supposedly the New South Wales government have based their concern around are in error and they're saying that they feel that this is an unworkable and heavy handed sort of scheme. But I was just using it as an example perhaps of where others are expressing concern about product stewardship schemes, co-regulatory schemes, being put in place, and whether or not you feel that this is a workable example or not. That's probably an unfair question. If you have to have a look at it - - -

**MS HARWOOD:** Yes. I'm happy to take it on notice.

**MR WEICKHARDT:** All right. I would be interested in your feedback about that. Now, just on the upstream and downstream sort of issues you did suggest that we had actually provided an incorrect account of the rationale around newsprint recycling and you suggested that we should make clear that the recycling and newsprint was really around energy and water and water saving and not around, you know, sort of old growth forests. Now, I think this is probably an example where people can get confused perhaps about, you know, what the rationales for some of these areas are but we introduced that example in our draft report because the minister of environment on 8 February 2006 released a media statement saying that after 10 years of having this recycling scheme in place that one of the main benefits from recycling newsprint was that there had been no use of old growth forests in newsprint since 1991.

So perhaps that's not the real rationale behind it but it sort of displays that people can get, I think, you know, these emotional attachments as to why these

schemes are put in place.

**MS HARWOOD:** Yes.

**MR BAINTON:** I think what we were trying to say in our first submission and our second submission was that resource conservation wasn't the major driver. Certainly with newsprint there was a desire to deal with some of the waste issues and our second submission really highlights that in entering into these discussions on product stewardship and identifying the whole of the life cycle process from the material sourcing right through to the delivery of the newsprint and the recovery of that newsprint. Looking at the whole of the life cycle there have been values way beyond what could have been anticipated at the beginning.

**MR WEICKHARDT:** Yes.

**MR BAINTON:** That's the point we make but particularly the argument wasn't about resource conservation. It was mostly about the change in the patterns of material use and securing financial as well as broader environmental benefits from that.

**MR WEICKHARDT:** Yes. The important point to me about that scheme is that it does seem to be producing all sorts of benefits, and as you say, some of them sort of not necessarily foreseen, but it's working without, dare I say, a heavy handed government intervention.

**MS HARWOOD:** It took a fair shove to get it moving though.

**MR WEICKHARDT:** Did it?

**MS HARWOOD:** Yes.

**MR BAINTON:** Yes.

**MR WEICKHARDT:** What sort of shove did governments apply?

**MR BAINTON:** It was before our time.

**MS AYLIFFE:** I think we understand that there was draft legislation written by one state.

**MR BAINTON:** That's right, Lyndon, yes.

**MR WEICKHARDT:** So the stick was pulled out but people moved before the stick was used you're saying.

**MS HARWOOD:** Yes.

**MS AYLIFFE:** I understand. Before our time.

**MR WEICKHARDT:** Yes, all right. That's interesting. Now, going back to your sort of areas where you think DEH and maybe the Commonwealth government can be taking some leadership role on sort of national coordination and consistency, I mean, there is, I suppose, acting ahead of the game and there's reacting when, you know, in some cases it appears that industry basically become willing victims of a scheme because they would rather a national scheme that were put in place than the threat of individual schemes going in place. So even though they complain that there's any scheme, they're almost grateful in the refuge of a national scheme than a whole lot of individual, you know, sort of schemes which might arise and it's interesting we have got AEEMA appearing at the hearings this morning and the tone of their submission has sort of changed from the first submission to the second submission.

In the first submission they were sort of saying, "This is a dreadful sort of idea having a scheme." Now they're sort of saying, "Well, maybe it's not such a bad idea, and it's a hell of a lot better than a whole lot of different fragmented schemes," but again can the Commonwealth be taking a lead to shape the states' views before the states start, you know, sort of picking up the sticks and threatening to implement things that may be not the best way?

**MS HARWOOD:** I think that does happen. I mean, there is communication between the Commonwealth and the states on, you know, proposed initiatives. We become aware of things that are happening in the states or they tell us and that communication around, "Well, what would be a rational and harmonised way to handle the problem," that can be the sort of groundswell of what brings an issue up through to EPHC consideration, that is, particular states or all the states even have identified that there's a problem that they consider needs fixing or one state is moving ahead of the others and industry is concerned. The call for some form of harmonised approach to it can come from both government and industry and probably when it works well it's both seeking to do that.

Within any industry there will be a spectrum of those with a very strong sense of sort of corporate social responsibility, for want of a better word. It's like a genuine willingness to act and an interest in improving the environmental performance of the industry through to those who will not be interested in movement at all. It's how you - if there's a problem that people consider needs addressing, how you work with that spectrum of industry and spectrum of state views perhaps to work out what the best scheme would be, but there's no doubt that the industry in core issues can step forward when it sees that there is in its interest national consistency; both in terms of

treatment in the market and just the sort of same way of doing business from their point of view.

**MR WEICKHARDT:** So what are the items of national significance that you think ought to be on the Commonwealth's agenda in coordination and harmonisation?

**MS HARWOOD:** The current things that are essentially the subject of this work in various points of evolution in the chain; packaging, tyres, computers and televisions, then there's the sort of the harder - not harder - but more intrinsically hazardous things such as used oil where there's a direct sort of regulatory control.

**MR BAINTON:** Batteries could be another area although the industry is garnering its own support from within the industry for action in that area.

**MR WEICKHARDT:** Maybe I'm misrepresenting it, but it seemed to me that all those were areas where the states had sort of threatened to take action. I guess I was interested in are there areas where you feel the Commonwealth are taking a lead in terms of shaping policy in this area. If you had your druthers what would you like to see the Commonwealth doing in terms of setting the agenda in this whole field?

**MS HARWOOD:** I guess we could do more work on clarifying what the filter criteria are for what sort of punches up to be considered as national significance. Some of the things are - I mean, there's an inevitably political aspect to what emerges for consideration through the EPHC sort of mechanisms but we can be encouraging, I guess the sort of firmest sort of information base and understanding of what moves forward. In all of these things the, sort of, precautionary issue is going to keep coming up, that is, if you don't act until, you know, frogs are dying in front of your eyes then probably any of these waste streams - it would be some way before you act and you may have a very large problem by the time you solve it, so at what point in that sort of emerging concern for a particular waste stream does the Commonwealth engage, do the states engage, and do we work together on forming a solution?

**MR WEICKHARDT:** Or agree to work together to find the facts first.

**MS HARWOOD:** Well, that's part of the process.

**MR WEICKHARDT:** Before the frogs are dying.

**MS HARWOOD:** It's not that we don't - that is part of the policy process. I think that somehow there's - it's not that we jump straight to, "Well, what regulatory solution will we do here?" The first phase is looking at what the character of the problem is and what the nature of the environmental impact is or the potential risks to current or future generations from that waste stream.

**MR WEICKHARDT:** On that note can I turn to the famous subject of plastic bags.

**MR BAINTON:** Sorry, is it possible, just before we move off that point, I was going to make a point that it's really important for the Commonwealth government not only to work on the specific waste issues but also look at the processes that we put in place to deal with those issues and some of the things that we could do. We touched on one today and that's potentially looking at what's coming out of landfills. Looking at what's the relative significance of litter issues nationally and making sure we're ahead of the game before things punch up, as Mary said, through those filter criteria.

**MR WEICKHARDT:** Yes.

**MR BAINTON:** Looking at materials or products of national significance, however that's defined. Looking at overall quantities, overall hazard of those things, and then developing tools, life cycle analysis, looking at valuation. There's a whole range of things I believe that the Commonwealth could take some national leadership on which would then, when those issues come onto the table or come up to a level of certain significance, we would have the tools and the understanding and the processes to be able to deal with those in a more rational and robust way. Excuse me for interrupting you in your train of thought into that most important issue.

**MR WEICKHARDT:** That sounds eminently sensible, yes. The issue of bags, and I don't for one moment dispute this is an area that the community concern is alive and very well, but you said on page 9 of your submission:

The Australian government is working with the state and territory governments to ensure sound process is followed to fully evaluate the cost and benefits of any measures to achieve such a phase-out.

But it doesn't seem to me to be that the phase-out is the objective. You know, we have sort of talked to a number of people who have made submissions about what the real objective is and to the best of my ability to discern it, it appears that the objective is a litter and an impact on animals, marine animals concern. Some people have said, and it's a bit like the old growth forest, that it's a sustainability concern. I find that hard to substantiate based on my understanding of the issue but if it's a litter and an entanglement of marine animals concern it does appear to me that the data is very scanty.

Indeed, we had Clean Up Australia at the hearings in Sydney and we put to them, "Well, the government has so far achieved through its actions a 45 per cent reduction in the usage of disposable plastic bags. Has your data shown any impact on plastic bags in the litter stream?" They said, "No, it hasn't." Now, they said they felt, or somebody else at the hearings in Sydney said that they thought there were

two main areas where plastic bags, if you like, leak out into the environment in an inappropriate manner. One is disposal in public places from food vendors and other places.

Well, the major supermarkets probably wouldn't have a big impact in that area but the other was they said, "Just from general waste disposal mechanisms," you know, sort of, I guess, litter being taken by garbage trucks or blowing out of landfills, and you would have thought that it would be possible to observe the impact of a 45 per cent reduction in that source of leakage so again I guess I'm a bit troubled that we're pulling a policy lever here without knowing whether it's connected with the problem we're trying to solve.

**MS HARWOOD:** The world of plastic bags is an interesting one. You've identified the three sort of main drivers for action: concern about litter; concern about impacts on wildlife, and the third is a sort of community demand for action or what some have called a sort of iconic status of plastic bags as a statement of concern about waste resource use, sustainability, whatever, like a desire for action or a desire - it's a signal for a willingness to act on the volume of resource use, however rational that may or may not be in terms of the actual plastic bag itself.

It's been a subject of considerable discussion in EPHC at each of the most recent meetings with again a very measured actual process moving forwards. I mean all the reduction that has been achieved so far has been through voluntary means, that is, through voluntary action by retailers and others, and consumers for that matter. So where it goes is going to be an interesting question, because there can be obviously further voluntary action to reduce the volume of bags used. The comment about the percentage in litter is an interesting one in terms of the actual volume of bag use on the face of it hasn't reduced enough to make a material change in the litter stream. The composition of who contributes to the bags at large in the litter stream is one where I think we don't have perfect information on that, but my understanding is that it's both supermarket and small retailer food outlet stuff that contributes to the visible bag problem.

Then downstream the ministers have essentially set as an aspirational goal a phase-out for bags, but that could happen by a variety of means, including the work that's happening on degradables.

**MR WEICKHARDT:** But we seem to have moved and the phase-out has almost become the objective rather than the fact that litter and marine, you know, sort of entanglement is the objective.

**MS HARWOOD:** I guess they are seeing it as the means to an end, that is if they wish to address the problems that they perceive arising for Australia around plastic bags, then removing those bags, that is not having the bags present through a

phase-out is - and it's an end point that is in the absence of action by others.

**MR WEICKHARDT:** So you refer to the independent cost-benefit analysis by the Allen Consulting Group which you say will be released in the coming months. Will that look at the cost benefits of a phase-out compared to other actions that could be taken to address the litter and marine entanglement problem?

**MS HARWOOD:** It will look at the costs and benefits of different regulatory and non-regulatory options for dealing with plastic bags. So it looks at a range - - -

**MR WEICKHARDT:** To address those problems of litter and marine entanglement?

**MS HARWOOD:** I mean it looks more through the bag "window" in terms of different ways of acting with plastic bags, different options such as, you know - - -

**MR WEICKHARDT:** Because this is sort of a generic concern, I suppose, that it would appear in some cases that schemes get a head of steam, they get a momentum, and so by the time they come to a Regulatory Impact Statement form it's almost commenting on justifying this particular scheme rather than looking more broadly at, you know, sort of, "Well, what's the objective in total and how might it be addressed?" So as I understand it there is for the National Packaging Covenant - really didn't stand back and say, "Do we need one of these at all?" It said, "Well, what's the specific impact of this scheme?" So it was a sort of retrospective analysis of, "Can I justify the scheme that I developed," rather than, "Do I need a scheme at all?"

**MS HARWOOD:** Well, commenting on the general issue of how the RISs are constructed, they're not going to be perfect and the packaging covenant one wasn't. Their imperfection often relates to the information based on which they're being prepared. But there is, certainly in the ones happening for the current stewardship approaches a real commitment to the current principles of genuinely looking at the different regulatory options available and softer options available including the "Do nothing" option and costing that as best we can. So I think that commitment to really looking honestly and not just saying, "Well, we're thinking of doing this. Does that look okay" - at looking across the suite of possible measures that could be applied including doing nothing and costing that out and that will be evidenced when the bag analysis comes out.

**MR WEICKHARDT:** Good, thank you. Just on the National Packaging Covenant issue, we made a recommendation that in 2008 the scope of the review should be broadened to look at sort of whether or not the National Packaging Covenant itself was an appropriate policy instrument in this area. I think you made a comment in your submissions saying that it could be difficult to broaden that because the

covenant itself between the parties didn't agree to that. What's to stop the government simply saying, "Well, we're going to broaden the scope of this," or, "We're going to send a reference off to some independent body to look at this." I mean governments seem to be capable of reviewing what they want to at different stages. Why couldn't they do that independently?

**MS HARWOOD:** The government could but we tend to focus our modest dollars available for these reviews and analyses on the issues as agreed through the EPHC. So the terms of reference for the review have been agreed as negotiated amongst the parties to the NPC and you could do a more expansive review. The Commonwealth could choose to do that and could pay for it, but it would need to be - if you were going to do that you would had to have afforded it a priority above other things which are already on the shopping list for requiring cost-benefit analysis directly as part of the regulatory process.

**MR WEICKHARDT:** Okay. You make a comment elsewhere in your submission, and others have done the same, about the differences in waste classification systems and the impact that has on the ability of, I guess, commercial firms and others to operate in this field and you talk about harmonisation.

The principle between harmonisation seems eminently sensible. We had at least one state earlier in these hearings say, "Well, our data reflects our regulatory approach and our regulatory approach is fine and therefore our data is fine," and that seems to be a sort of perfect way of maintaining the status quo.

I mean what can the Commonwealth do to try to provide either encouragement or coercion to the states to agree to some form of harmonisation that might allow, you know, a sort of more efficient operation in the Commonwealth?

**MS HARWOOD:** I think it can show leadership. It can bring people together to work on harmonising classifications. There has been probably more progress on the hazardous waste side in terms of having more consistent classification to facilitate basically consistent treatment of hazardous waste including movement across borders and so on, but it's an area that would benefit from more work in both the hazardous and non-hazardous waste areas. It's probably going to be one where downstream there will be a real value in doing that if we move to more energy to waste solutions and so on; it's going to become more important that there's some consistent way of describing or characterising waste, to help with future regimes in that area.

**MR WEICKHARDT:** Yes. Well, certainly it would seem eminently sensible that we utilise the scarce dollars that are available to get some form of harmonisation rather than spending it in ways where we've got a lot of data that you can't compare with each other.

**MS HARWOOD:** Yes. Did I say energy to waste? I meant waste to energy.



**MR WEICKHARDT:** Okay. There's probably a bit of energy that goes to waste. Now, can I go to page 18 of your submission where you, in table, show a whole series of market failures.

**MS HARWOOD:** Is that our original submission?

**MR WEICKHARDT:** Page 19, sorry, table 2.

**MS HARWOOD:** Got it, yes.

**MR WEICKHARDT:** Where you show a whole lot of market failures that could be addressed by the more efficient use of materials and you cite there things like information failure which we've talked about and in that you also cite in brackets the cognitive limits of managers which I can testify exist. But the question is really how far do government go in terms of this process of intervention in private operations to point out to people that there are better ways of doing things? It seems to me that this area of waste and energy efficient is replete with examples of governments wanting to try to help industry to do things better, but that doesn't apply in lots of other fields of government activity. We don't have Treasury racing into companies and saying, "We think you could hedge your balance sheet more effectively, or take out a derivative on the price of pig meat in Chicago."

I mean why is it that in this field governments feel that they should intervene in these activities of what might be otherwise seen as the activities of private companies. They should get on and do what they do best.

**MS HARWOOD:** Others may want to comment on this. There are two issues: firstly, if you have identified a waste problem, that is, that some serious environmental impact at the disposal point in the chain, then these market failures - like if you then go back and look in a holistic way across the product lifecycle, it's legitimate to consider these and to, I guess, challenge thinking about the current production process and I guess the way the products are produced. So it's not that government is seeking to tell industry how to do its business, but in addressing an environmental problem caused by the waste generated by that industry it's legitimate to challenge or to look with that industry at what those market failures are and whether there are better ways of doing things.

More broadly, it's perfectly legitimate for government to encourage industry to look for things such as water efficiency and energy efficiency for obvious environmental and sustainability reasons. I don't know whether Jo wants to comment more on the actual - - -

**MR WEICKHARDT:** But you don't to go jewellers and ask them to encourage

diamond efficiency in the use of the diamonds, because presumably they think that's in their own self-interest.

**MS CHONG:** Well, it depends if there were public benefits - more broad public benefits from them being efficient in their private use of diamonds. I guess that might be one of the key differences, possibly.

**MR BAINTON:** Maybe I shouldn't get into this area, because it's not my area of expertise.

**MR WEICKHARDT:** It's certainly not mine either.

**MR BAINTON:** No, but there are certainly social impacts in the use of diamonds. I'm not talking about wearing the rings, I'm talking about in the mining and there are social impacts there. Anyway, maybe I should back off right now.

**MR WEICKHARDT:** Yes. I guess it just comes to a philosophical issue of how far governments get involved in some of these activities, clearly removing impediments makes sense, helping information to flow makes sense to me, but when I look at that column in table 2 of market failures my question is where should governments actually involve themselves other than addressing, you know, the specific market failures that might exist at any point in that chain.

**MR BAINTON:** One of the areas that we've touched on already - life cycle thinking is a relatively new tool that has been around for probably a few decades now, but as a tool we know that as we say in this table that there are time pressures understandably. One of the roles of government could be to, in fact, provide tools and techniques that might assist managers in exploring these life cycle impacts, that's just one area for example.

**MR WEICKHARDT:** Yes. Well, certainly providing some of the facts in there, the hard data, and tools to analyse it, I don't dispute that's an area that governments might well have a useful intervention in. A few other issues, and we're just about out of time, but under the Basel Convention you make a point that we've overstated the controls placed on trans-boundary movement of hazardous waste for recycling and you've made the point that facilities do exist to gain exemptions here and other people have made that point to us. I think the complaint by most is not that it's impossible but simply that it takes considerable time.

**MS HARWOOD:** This is to export hazardous waste.

**MR WEICKHARDT:** To get permits and get exemptions, and in some cases people have said, "Well, because it's all too hard we'll just send the material to landfill instead." So I guess my question to you is do you feel that the time taken

now to get permits and exemptions, recognising the risks have got to be analysed sensibly, but do you think the time delays are reasonable?

**MS HARWOOD:** Yes, I think they're reasonable. I mean, they reflect Australia's international obligations under the Basel Convention and the responsibility for meeting with sort of fundamentals of that convention that we don't authorise the export of hazardous waste to sort of places or circumstances where that hazard is not going to be properly dealt with. So there's an obligation to look at the technical merits and the environmental performance of the proposed recipient solution and we do that in a reasonable and timely way.

**MR WEICKHARDT:** Okay. The product stewardship scheme for oil, we had queried the differential treatment being applied to different methods here, and you made the point here that, "It is recognised that more expensive recycling processes were likely to require more incentive but would deliver a better quality product with improved environmental outcomes." Well, the better quality product I sort of understand, but the improved environmental outcomes, I guess I'm interested in how that was determined.

I mean, one of the issues that the Cement Industry Federation have raised is that the fact that some waste oil is not going to their area, and I think you and others have pointed out maybe they're just being greedy and they want very cheap, you know, sort of waste oil, but one of the implications they've pointed out is they can no longer use waste oil to dilute or enhance a waste solvent stream, and that waste solvent stream therefore is no longer disposed of in a manner that it was previously and they allege is the most efficient way for that to be treated. So I guess I'm trying to explore was this improved environmental outcomes analysis done in a sort of complete manner. You've talked about not just looking at end of pipe issues, so did this look at all the other methods that waste oil was treated and the impact it might have in different areas such as this issue of solvent disposal.

**MS HARWOOD:** The analysis was done before my time in terms of constructing the scheme and the selection of differential benefits. I'm not sure whether it looked in detail at that particular aspect in terms of the relative merits of use of oil for those sort of purposes in the cement industry, but the basis for the determination of the distinctive levels of benefit was described, you know, clearly at the time that the scheme was initiated, and its purpose was to encourage sort of what was seen as higher environmental performance levels of oil recycling.

**MR WEICKHARDT:** Yes. I guess we were saying earlier, understanding all those, you know, sort of environmental pluses and minuses is a complex task and sometimes our concern is that the feel-good answer isn't always the right answer. So I guess I was just trying to understand whether this was a thoughtful and, you know, holistic analysis or whether it was just a lube-to-lube feels good and therefore we

ought to support it.

**MS HARWOOD:** I think there was more depth to it than that at the time it was initiated and in terms of creating value or capturing the value in that waste stream too.

**MR WEICKHARDT:** Okay. Look, thank you very much indeed for your comments. They've been most useful and it's been a long session so we'll adjourn briefly now.

**MS HARWOOD:** Thank you.

**MR BANTON:** Thank you.

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**MR WEICKHARDT:** We'll resume the hearings now, and our next participant The Australian Services Union, and for the transcript if you could just give your name and the capacity in which you're appearing, please.

**MR McLEAN:** Thank you. My name is Greg McLean and I appear as the ASU assistant national secretary with responsibility for public sector issues.

**MR WEICKHARDT:** Okay. Well, thank you very much indeed for appearing and thank you for your submission which you should assume we've read, but if you want to make some introductory comments, please go ahead.

**MR McLEAN:** That would be appreciated. Firstly, just to let you know our submission came in very quickly, just on closing date, and just to assure you that we'll just go through and read the submission once again just to make sure that it's typographically correct and such, like just for one final review after today. The issues that I would just like to mention, I think perhaps I could go through them in point fashion if that would help, is firstly my union has been involved working with its members in waste collection from the municipal area for many, many years, since, I would think, local government first started collecting waste, and our union was involved in that since the early 1900s I would think, or perhaps even earlier than that.

The issues in the report and the suggestions that are put forward or considered points put forward by the Productivity Commission have raised our interest and concern, particularly the references to local government's role in waste collection services. Some of the points we have as, of course, the practice that local government has become familiar with the areas that is designated to collect waste in. There has for some years now been the ability for companies to make decisions on entering into commercial waste contracts or industrial waste contracts and local government still continues to perform the domestic waste collection which has now, I know from my council in the Sutherland Shire, broken into basically three services, the traditional recycling, the final household waste products and, of course, green waste and the encouragement of onsite composting.

The issues that we see of concern are local government is providing a service to the community, and in local government being the people collecting domestic waste, they're in a position to best administer the services being close to the community for a number of reasons. Firstly, in particular with longstanding contracts or indeed our preferred position of day labour where there is a quality employee, there is a higher level of retention of staff. In other words, the staff stay with the council for a very long period of time and they become very proficient at their employment and also enjoy a wide community responsibility.

Also with the low turnover in council staff we find council workers are more in tune to knowing where the school crossing zones are, where those blind corners are

in waste collection areas, and becoming very familiar with the community and these difficulties they have. Of course, in some inner city areas it's not possible to use the large one-man truck operations with the lifting arms, and some trucks still perform the traditional jog and run, so to speak, with waste bins being collected by the traditional garbo and carried to the back of the truck, simply because of the way in which the cities are laid out and that's not an uncommon practice in inner city areas of Sydney, also the inner western suburbs as well.

One of the issues that we have also been monitoring in the union has been the increased movement towards international trade agreements and the role in which multi-national companies are playing behind that. We are aware of the current discussions in respect of necessity regulation being considered by the WTO that may have impact on local government and state governments if that comes to pass and, of course, the continuing round of discussions within the GATS framework as well.

We think it's not only appropriate in the Productivity Commission's hearings to raise international agreements that are currently in existence, but also the debate that's taking place out there as well so that parties that are looking to make submissions are aware of what is currently the international agreements we signed off to, and also additional debates that are taking place outside of the agreements we've already signed off on. We see that as an opportunity to be upfront with industry and also community about where the reform is continuing.

One of the issues that we also note is that there has been an increase in the issues of recycling in people's homes and also we believe councils can take this as a very strong position because they're not just pushing the issue of doing it from an economic point of view but also from a position of serving the community and providing a service and trying to encourage waste recycling as much as possible. If you think about waste recycling it started off from a position where there are no bonuses paid to households, but simply a recognition for their contribution that they make to increasing the community's awareness and also being more environmentally sound. We know that when households put out their waste recycling bins these days they are quite full and that does show to us that councils are getting their communities to be on side with improving the environment.

Also in respect of waste collection it's not just the large trucks that come around the suburbs, but there's also the street sweepers and the street sweeping machines that are sucker flushers that also clean out gullies in council stormwater drains and other functions that are associated with the peripheral issues of waste collection. We notice in the report there is a reference to waste from energy and we notice that currently is an issue that is rapidly expanding where energy companies now can purchase methane gas from landfill sites, and whilst the price is still a little bit on the expensive side in comparison to a range of renewable energies, it nevertheless provides a valuable service and we think that's been a very good

improvement there as well.

In respect of the issues of institutional regulation and other impediments that have been raised by some of the commercial providers, we believe that there is a very strong role for government to continue to regulate waste collection activities and, in particular, local government has a very strong role to play with that because it's closest to the community's needs, and if the community has problems with their waste collection there needs to be a very good point of call for them to be able to get in contact with and we see local councils as that.

We do note that there could have been perhaps more attention given to the report by some local government authorities who may have wished to encourage a greater use of combined contracting negotiating power such as a number of councils are currently looking at to either perform the function themselves by one council helping out another, or one of the councils having a contract that extends beyond its boundaries or simply councils getting together and seeking to let a common contract.

We notice that there's been some reports in the media recently on that taking place on the central coast in Sydney and in discussions with some southern regional organisations of councils in Sydney I understand that this is an issue that a number of councils are also considering and we would like to think local government may look upon combining their efforts to perform some of these functions.

One of the points within the report of the comparisons between the reforms that have taken place in the waste-collection industry and the reforms that have taken place within, in particular the electricity and water industries, we note that water services are provided by way of a collection of water damn and distribution by state organisations, but in a significant number of areas, local government still provides a substantial function on this and we think that local government's role and also the role of state governments is reflective of community's views in wanting water services to be undertaken by a state government.

But we're not aware of a growing push by the community to see state governments take on responsibilities for domestic waste collections. We also note that the reforms that have taken place in the electricity industry have occurred principally with the ability of domestic, commercial and industrial use of electricity to be able to choose their energy retailer; in other words who provides the electricity to them. The net works that the electricity is distributed over remain as they are and there are not competitive electricity networks out there by way of different energy companies wanting to have different electricity cables.

In Sydney alone I understand you can probably choose to buy electricity from somewhere between 18 and 21 different energy companies. The churn rate is at the highest level with industrial and commercial uses - it's where the competitive edge is

- and domestic churn rate I understand is quite low, probably around about 5 or 7 per cent. Not large numbers of consumers have made decisions to change brands. They feel wedded to their local network owners.

One of the issues that we would see important here is that the similarities between waste collection from house, transportation by truck to a tipping location or waste gathering site in a metropolitan area and then onward transportation to a landfill site, we would consider that to be more reflective of a network function rather than a retail function. The reforms that have been - or improvements to the electricity system in the network side have come by way of regulation and by way of state government regulatory powers such as IPART in New South Wales and other state regulators in other states where energy companies have had to actually make an application to those organisations for consideration of charges met for their network function.

In other words we see a great similarity between poles and wires and a truck driving down a street to a waste-collection site and then on to a tipping site. We see that as a network function. We see the reform and the substantial efficiencies that have taken place in electricity have come by way of competitive ability to choose who's going to put the electricity inside your house and that would be the same as choosing who was going to pick the waste bin up from your home. But once the waste bin would hit the parameters of the truck, we would consider that almost to be a network function and we don't know whether or not there would be any increases in efficiency and cost there.

Perhaps there could even be an issue of long-term contracts that may have not given improved efficiency in reduction in cost prices similar to the first round of electricity privatisation in the UK. In other words we insert one monopoly for another monopoly. We think that's a valuable point to consider in that waste collection issue. In respect of water, we do acknowledge that there is a substantial debate in the water industry at the moment and waste water is not considered to be a water product, but it is considered to be a waste service and we think there's a substantial amount of debate to go on that.

We know that's not addressed in the report but we do see some of the companies interested in waste collection also interested in activities of provision of water services and also the latest issue of sewer mining in Sydney that's taking place. So we think there's some convergence that will take place within those companies. So we would suggest that the issues that have come before the committee in looking at the comparisons of energy reform and waste collection perhaps need to have some consideration of it from a regulatory point of view, because the true reforms we've seen in network charges have been by way of regulation.

In respect of reinvestment in the industry, we notice that companies that do



make commitments to the industry do so with long-term goals in mind and would probably seek long-term contracts. We also in the information we've gathered from talking to our delegates and members working in the industry - they inform us that that they believe the quality of equipment that is used by councils in day labour is in excess of the quality that is used by some other providers of the services. They point to us on the sort of life span of vehicles, truck maintenance, other issues, and again high turnovers in staff numbers.

We have no information on the turnover in staff numbers in the private sector, but we only have the information from talking to our members that are involved in the waste collection industry. To clarify some of these points I've refreshed myself and participated in a waste-collection exercise and tipping exercise in the last couple of weeks, just to go and meet with some of our members that are within those sectors of the industry. Again we believe local government has a continuing role to undertake in waste collection. We believe it is an important role and we believe if there are some reform issues that a carrot and stick approach to local government and encouraging local government to undertake reform of its waste collection and looking at a number of options that would involve onward consultation with local government would be a good use of the commission's time and the three arms of government of national, state and local government.

**MR WEICKHARDT:** Okay. Thank you very much indeed. I guess the issues that we were trying to tease out in the draft report are probably mainly related to the issue of the size of local councils and their ability to appropriately resource and manage some of the more complex aspects of waste disposal in the future. You've got on the one hand very large councils like the Brisbane City Council, who appeared at the hearings in Brisbane last week, or the Gold Coast Council - probably two of the largest councils in Australia - and even they made the point that they gain a lot from a council of mayors' arrangement and waste management working groups so that they share best practice, they gain the benefit of experience and contracting.

So the issue really is how do you get the benefits of scale and particularly the right approach applied to planning in this area of waste disposal when you've got a whole lot of small councils involved, because those two councils are quite large and have got quite a lot of resources. Have you got any comments to make on that?

**MR McLEAN:** I suppose just a couple of points. Some councils have chosen to create, particularly in New South Wales - they call them ROCs, these regional organisations of councils - and that's given some of the smaller councils an ability to continue to survive. Depending upon how far you go down the path - you raised the issue of council amalgamations. One issue could also be that if you were to remove this service from councils you may actually force some of those councils to amalgamate as well. So it can be a bit of a two-edged sword or chicken and egg.

I live in the Sutherland Shire in Sydney which is quite a large council area. They have their own waste collection services provided in-house. They did use contractors. They've chosen to bring it back in-house for quality reasons or for other reasons, and they tip at the local tip at Menai. The council performs a waste-collection function, but the tip is - I think it's a state government tip that is managed by the Cleary Brothers, I think is the company that manages it, and they then manage that.

I would think that if I was Sutherland Council I may have a choice of tips I could go to. I could perhaps use the Cleary Brothers one at Menai, which is basically - well, almost within the shire or just out of it. Or if they actually put their charges up too high, I might be able to make a decision to take my waste elsewhere; band with other councils and do something else constructive. Performing a whole chain function may not allow you to ultimately do that, because you could have one company, kerb collection site and then off to tipping.

Again, back to the electricity industry, the reforms that have taken place there have been by way of taking a vertically-integrated company or a vertically-integrated industry and splitting it into distribution, transmission and generation with competitive abilities for retail as well. So it's actually been by breaking up one long chain of a vertically-integrated company. We have some concerns that vertical integration could come from this. Back to your point on - - -

**MR WEICKHARDT:** Can I just interject and say that certainly wasn't an issue that we were advocating at all. What we were advocating was that there were larger groupings of councils or some bodies who were better placed to be able to deal with some of the complexities in particularly planning around waste disposal, contracting with large providers such as AWT providers, and the industry itself gets very frustrated by dealing with a whole range of fragmented local councils who have somewhat different rules and regulations.

One of the comments, just as an illustration of that, that the waste disposal industry refers to is in Sydney there are 40 different regulations in regard to the use of skips. What we were seeking to raise discussion about was the issue of scale in terms of better managing this area. We certainly were not advocating that there be any form of monopoly provider in this area. Indeed I think if you were the largest - councils like the Brisbane City Council, for example, deliberately seek to have a range of providers where they don't carry out the activities themselves.

I think it would be foolish in the extreme to get yourself into the hands of a monopoly supplier by sort of grouping together a whole range of areas where you might have some market power and have the ability to deal with a range of suppliers.

**MR McLEAN:** The Brisbane City Council, Gold Coast Councils, are - I won't say

"unique" councils, but Brisbane City Council is certainly a unique organisation compared to other local government instrumentalities. It undertakes public transport functions. It undertakes water. It used to undertake electricity. I think it perhaps has a larger budget than the Tasmanian government has. I think it's quite a large organisation and it would perhaps have some different issues in planning as opposed to perhaps some other state governments have.

Where some of this discussion may be a little bit more mature there may be different ways in which the planning is approached. In Sydney for instance, where I understand I think councils do not have control of the tipping facilities - they're controlled either by the state government or by the large waste organisations. Having said that, there are some councils that do still do their own, such as I think Warringah does at - Kimbriki tip is a recycling facility in the council. The structure of Waterloo, the putrescible heat plant, I think has long been closed down, and I would think there probably is some crossover between where local government completes its function in collecting waste and then where it is tipped.

I would think there would be very few councils still own their own tipping sites that I can think of these days. Most would be taken over by state governments and competition - or the ability for councils to do things as they want then ensures that their tipping would come to this side or another tipping location.

**MR WEICKHARDT:** Well, indeed that sort of goes to the point of the issue we are raising that in waste collection it seems that councils are comfortable to operate and indeed in some cases they collaborate quite effectively in these, as you say, these regional organisations of councils but when it comes to the actual planning for disposal there are great difficulties. In Sydney I think it was the SSROC group said, "Well, we can agree on lots of things but we could never agree, for example, where the next landfill was going to go. There would always be a desire that it not be in our particular local council region.

**MR McLEAN:** I think you're very right there. With a city such as Sydney in that huge basin locating land at a price where you can tip and you don't want to reuse that land for whatever period of time on in the future is a very difficult thing to look at, simply the price of land. So seeing councils make decisions to find those tipping facilities on the outskirts of Sydney - be it Menai or, you know, perhaps as years go on maybe there's some parts of Holsworthy that may be able to be used - is another issue. I think some of those inner city councils - I think perhaps all they do is really take it to a waste transfer station and then the waste transfer stations then move it on to locations outside of Sydney.

But the points you make about councils being able to combine and utilise their expertise for not only waste collection but also perhaps for arguing their plight on what they see as important for their community to the state government - in other

words, having a joint approach on planning and regulatory issues - may be something that the federal government may actually want to encourage as well. I do notice that over the last couple of years there's been an increase in the intentions of the federal government to come closer to local government and I am also aware of the discussions underway at the moment with the debate on local government funding where councils are seeking commitments to long-term funding. That's part of the heads of government sign-off, there's been an initial discussion and I understand the issue is on the plate for COAG next time around. I think that would be an important issue and waste collection planning and administration could be an important part of that relationship discussion.

Certain considerations - I don't know whether there would be tax considerations or others would be appropriate to consider but there could be some inducements given to councils to work cooperatively together to come out with animals or obstacles that are almost the same size as what a state government might want to do in a - in other words, New South Wales not have eight of these things or 10 of things; you could actually offer incentives to councils to create eight or 10 of these things of their own in a cooperative manner.

If I could draw your attention to what I always thought was a great piece of legislation. In New South Wales they passed a piece of legislation in the 1930s for county councils and it's still possible to have these county councils in New South Wales where there is two or more councils coming together for a common purpose. Currently today they're usually used for flood control, noxious weed control, airports or other similar functions and including regional organisations of libraries in distant areas where one council can't afford to do something on their own or (indistinct) better.

The electricity industry used to be managed this way up until 15 years ago where we had county councils managing that electricity supply function when it was a local government function. Having a look at the tools that may be available to local government to see what they could do on their own could well be some valuable usage of time and having some serious discussions with the individual state local government associations to say, "Well, look, would you be capable of doing some things jointly together?" could be some valuable use of time and could also fit with the federal government's agenda of trying to involve local government in their communities more in these processes.

We've seen that done with roads, we've seen that done with some water grants that have been handed out to councils, we are seeing councils now explore - whether they will succeed or not - but some very valuable debates in how they are managing their water resources. I mean, that debate is being assisted by the federal government as well as state governments. The water funding arrangements, maybe there are some similar inducements that could be given to local government to see what they

could do in the first round.

**MR WEICKHARDT:** Okay. Thank you very much indeed for coming along and for your submission. We appreciate it.

**MR McLEAN:** Thank you very much for making the time available and thank you to the staff for their assistance this morning.

**MR WEICKHARDT:** Thank you.

**MR McLEAN:** Thank you.

**MR WEICKHARDT:** All right. We'll adjourn now.

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**MR WEICKHARDT:** We'll resume the hearings now and our next participant, the Australian Electrical and Electronic Manufacturers Association Ltd. If you could each please give your names and the capacity in which you are appearing here for the transcript please.

**MS JOHNSON:** Yes.

**MR DOUGLAS:** Bryan Douglas, deputy chief executive of AEEMA.

**MR FORTE:** Ian Forte, regulatory affairs manager for Electrolux Home Products.

**MS JOHNSON:** Loretta Johnson, general manager policy for AEEMA

**MR WEICKHARDT:** Thank you very much indeed and thank you for your submission which you should assume we've read but if you want to make some introductory remarks that would be useful. Thank you.

**MR DOUGLAS:** Thank you. Just very briefly. AEEMA certainly supports the thrust of the draft report, in particular we support the report's emphasis on the need for a national policy approach, a voluntary rather than a mandatory framework and the need to ensure sectoral or targeted policies to suit the characteristics of the product, recognising that one policy approach does not fit all sectors. We would also like to emphasise the fact that consideration needs to be given to safety factors, particularly when we're talking about major appliances. For example, in comparatively recent times brominated flame retardants are recognised as a significant safety enhancement in domestic appliances but they are also considered by some regulators to be a hazardous substance and we maintain the need to recognise that safety element in brominated flame retardants.

We would also like to inform the commission that our association is devoting considerable resources to product stewardship issues at the moment, in particular we're under considerable pressure from the New South Wales government to respond to its priority statement and there is no single bigger issue for the association currently than the issue of waste. So, with that short introductory comment, that's it.

**MR WEICKHARDT:** Okay. Thank you very much. I sort of detect a shift of emphasis and focus in this latest submission from the one that you provided at the time of the draft report. This characterisation might be incorrect but the draft report or the first round of hearings I sort of, detected a, you know, sort of "over our dead body" type of approach and there seems to be almost a grudging, sort of, acceptance now to the idea of there being a national scheme. Would you like to just sort of - I mean, it might be a false analogy but we seem to have moved from, you know, sort of, those stages of, you know, death and dying from denial to anger and now to acceptance.

**MR DOUGLAS:** I think it's fair to say that the association's perceptions and thinking on some of these issues is evolving. It is also true to say, I think, that we recognise that the New South Wales government in particular is being very forthright in some of its demands and it's difficult for us to escape, if you like. We're not going to get away by hiding our heads in the sand so to speak, that we do need to respond and respond in a positive vein to what the New South Wales government is putting to us. So a combination of factors, I think, has contributed to some change in emphasis but I wouldn't call it a radical change.

**MR WEICKHARDT:** Okay.

**MR FORTE:** It's probably fair to note that AEEMA have formulated a major appliance environmental working group so we are - that consists of ourselves, Electrolux, Fisher and Paykel and the hot water service providers in Australia representing the manufacturers in Australia and we're looking at the ways we might satisfy the New South Wales government's needs in that environmental working group.

**MR DOUGLAS:** We've also done the same for lighting products and we have an overarching environmental policy working group that cuts across all sectors of the association. We would also like to table a letter that we have sent on behalf of our major appliances members to the New South Wales government. That was just a little over a week ago we tabled this letter and it, I think, gives some indication of our more recent thinking and particularly would like to emphasise the fact that we have called upon the New South Wales government to assist a more detailed study of the end of life fate of major appliances and some of the issues associated with waste disposal of major appliances.

We feel that any action before we undertake such a study would be precipitated, that we really need some hard data to better inform both regulators and the industry of what future steps we might take and I think it really reinforces the thrust of the Productivity Commission's draft report in its call for a more careful analysis before product stewardship schemes are undertaken.

**MR WEICKHARDT:** Thank you. That letter we can use as a supplement to your submission, can we?

**MR DOUGLAS:** Certainly would be - - -

**MS JOHNSON:** Yes.

**MR DOUGLAS:** Have no problems with that.

**MR FORTE:** No problem with that.

**MR WEICKHARDT:** Okay. Thank you.

**MR DOUGLAS:** It contains some attachments as well but, again, no problems I assume.

**MR WEICKHARDT:** That would be useful and I look forward to reading that. But the issue you raise is an important one and it was a matter we were talking to the Department of Environment and Heritage this morning and that is that sometimes these product stewardship schemes appear to get a momentum of their own, a head of steam up because one state government or another determine that some action has taken place overseas and that therefore they better have one of those themselves. Somebody in Sydney referred to this as "policy envy", I don't know whether that's a correct characterisation of it. The government would no doubt say they're responding to the concerns that their communities have which may indeed be elevated by some of these overseas activities but there seems a real risk that in some cases the real objective or concern is not very clearly understood.

Now, if we turn to the issue of electronic waste and computer waste, are you sort of clear as to what the fundamental underlying concern of the New South Wales government is? Because I've heard this articulated sometimes as being a resource conservation argument and sometimes a concern about toxic, you know, effluence and leachate arising from the disposal of these products in landfill. Are you clear on what the objective is here?

**MR DOUGLAS:** I think it's fair to say that the association is yet to be convinced that the compelling arguments have been put by the New South Wales government, hence our call for the study for appliances. So in answer to your question, no, we're not entirely clear.

**MR FORTE:** One of the reasons we have offered to cooperate in a study is to in fact identify what the real requirements of the New South Wales government are. We perceive it primarily in a desire to reduce the amount of hazardous materials going to waste. Secondly, to reduce the amount of material going into landfill. They are the overriding issues.

**MR WEICKHARDT:** From your contacts with your counterpart bodies overseas are you aware of any studies that have shown the degree of risk involved here in these products going to landfill? Have there been any studies of the consequences of those disposal techniques?

**MR FORTE:** What we have done so far is looked at two things; firstly, the amount of waste to energy work that's going on overseas and we're very encouraged by the



amount of calorific value that comes from our products that is successfully being used to replace fossil fuels for energy in many places overseas and that's part of the study that we would like to see further expanded and the other area is that we're finding it difficult to get a lot of data on it but there were some studies done in the UK a number of years ago which indicated that the hazardous materials from the appliances, certainly the major appliance group, are relatively low and in fact are similar to domestic household waste.

**MR WEICKHARDT:** Yes.

**MR FORTE:** So once again we would like some further work done on that, but we do know that the amount of hazardous materials that are in larger appliances has traditionally been fairly low, relatively low, compared to, say, consumer electronics items and that they're actually decreasing, partly because of the European directives and also because I think the appliance manufacturer certainly in Australia want to be good corporate citizens, particularly - I don't want to say anything particularly about Electrolux, but a Swedish company that has a very strong sustainability policy and is very, very demanding in terms of its design of appliances to make sure that not only they meet the restricted requirements of the European directive but also of a voluntary restricted material list that the company has.

**MR DOUGLAS:** A good corporate citizenship approach.

**MR FORTE:** That's the thing, yes.

**MR WEICKHARDT:** I mean, taking that point a bit further, I'm intrigued by the comment in your submission that suggests that the companies really, I guess, innovator and change their practices only as a response to tighter waste regulations and, I mean, this is an issue that we were again talking to DEH about. They have suggested that governments do have a role in terms of helping to point out to companies the benefits of cleaner production and lightweighting and areas of that. I think there would be a number of people who would say, "That's not a role for government. Governments should be setting the policy environment, making sure that things are done that don't endanger the environment or the safety of individuals and then a competitive free enterprise marketplace will sort out people who do things efficiently versus inefficiently," but your submission sort of suggests that you almost relish - this is the sort of, "Whip me, whip me," type of request here.

**MR FORTE:** Perhaps it's because being in a situation where we think we are doing the right thing, we're not afraid of additional regulatory requirements coming in, you know, perhaps puts us in a better position being a large company than some of the smaller players who might in fact find it more difficult to meet some of these requirements.

**MR WEICKHARDT:** That turns around to the issue of regulatory capture because again there's a sort of a concern others express that exactly that sort of phenomena can occur where large corporations may perceive that they're better placed to respond to the tougher regulation which tilts the regulatory playing field in such a way that it favours them. I mean, do you feel that this might be an issue here?

**MR DOUGLAS:** I think there is a counter argument that sometimes the larger companies are more responsible, particularly domestic. In our experience when we look across the field at the association's activities, you know, electrical safety, nothing to do of course with what we're talking about now, but my observation over many years is that quite often the larger domestic companies in particular, domestic manufacturers, adopt a more responsible attitude possibly because of convenience that they would be, I guess, jumped upon if they didn't do it and would be singled out whereas importers sometimes will take a different approach so it's often the case of particularly imports from some of the less developed parts of the world, so I think that is a counter argument to perhaps what you're suggesting.

**MR WEICKHARDT:** Yes. In terms of the sort of activities that you want to see carried out that might give more information and more facts around the risks and the clauses for underlying regulatory action who do you believe should be doing this? It seems that often it's the companies involved in the industry who have, from their own internal resources and their overseas experience, a lot of the data here but the community probably distrusts the information provided by the people in the industry because they see they have an axe to grind and they're not necessarily independent here, when you're calling on the New South Wales government to help fund a better study into the end of life status for major appliances, who do you think ought to be doing that study so that the community, if you like, trust the outcome?

**MR DOUGLAS:** I think it's fair to say that we would be happy if independent experts did such a study. I mean, there are some reputable consultants who are not aligned with industry who are engaged by government and by industry. They do exist in this country and we would be happy if one of those independent experts were to do the study. Of course we have offered to partially fund at least the study and we would like some control over the choice of such a consultant, but we would be prepared for an independent study, a truly independent study, to be done.

**MR WEICKHARDT:** Yes. In I guess a sort of a generic do you think there is some sort of role for the federal government to resource some sort of body to act as an adviser and an analyser of the facts or an extractor of the facts, compiler of the facts, in these product stewardship schemes?

**MR DOUGLAS:** My own thoughts are that they would not necessarily have the expertise to do it.

**MR WEICKHARDT:** But they could task a body to do that. I mean, could CSIRO as one example be a body that might provide a reputable and I guess credible source of independent advice rather than in the situation of having policy makers responding to a sort of a concern, a fear, that's not particularly well substantiated at this stage with facts.

**MR DOUGLAS:** I think on the face of it that would be acceptable.

**MR FORTE:** I would say exactly that. On the face of it that would appear to be a very positive step.

**MR WEICKHARDT:** Yes. I'm not here as a spokesman for CSIRO but it just seems to me that the politicians do react to community concern but in many cases the community concern is not well informed by facts and yet your organisation nor any industry group who try to provide the facts is simply seen as being self-serving so to break this nexus of being rushed into a regulatory action, it does seem that some sort of better information and a better informed debate needs to be had.

**MR FORTE:** I think that's very true, and particularly in the case of landfill, nobody wants to have a hole in their back with landfills going into, and in terms of waste to energy there's a perception that nobody wants to have a giant furnace burning a whole lot of rubbish in their backyard either. However, they have got to be informed decisions when you decide not to go ahead with either of those options.

**MR WEICKHARDT:** Yes. You articulate on page 2 a whole range of areas where improvements could be made in terms of design processes. Taking into account your comment about the fact that there are players in the industry who want to do the right thing, the issue is are there impediments to stopping these things happening now? Again do governments need to beat you with a stick to make these things happen or can they happen now and if they're not happening now why not?

**MR FORTE:** I don't know that governments beating us with a stick is necessarily going to give us the best outcome. I think if we look down the list that we have got there, the design options for disassembly, as a designer of appliances it's extremely difficult to make that a priority when you're trying to make things that are easy to assemble rather than disassemble and although that might be considered the primary thing that you're trying to do is to be able to put a product together very easily so it's a real challenge to do that and I know that Electrolux has done a lot of work in designing things for disassembly and that may go to as far as saying, "Well, when it goes into a shredder does it come apart better than perhaps a - you know, than it would otherwise become.

So disassembly may not mean that it's easy to unscrew components from but it may mean that it's got good disassembly as far as the waste treatment is concerned

but once again it comes back to a lack of data in many cases and really to understand what's happening at the end of life of these products is something that I don't think any of us understand and we don't really then understand the benefit of designing a product that's easy to disassemble.

**MR WEICKHARDT:** That's a fairly critical and interesting point because it's exactly the sort of area that DEH this morning were referring to and saying, "This is why governments need to get involved in this area of trying to make sure that companies do pay enough attention to those sort of total life cycle cradle-to-grave type of issues." Now, you said that you don't want governments beating you with a stick so what is it that you want governments to do that ensure those sort of concerns are addressed by companies when they manufacture product?

**MR FORTE:** I think the first thing they can do is to assist us in getting or advising what the advantages are and that's coming back to this situation of data. You know, what advantages in terms of community benefit are there in having products that are easy to disassemble.

**MR WEICKHARDT:** Why can't companies figure that out themselves in terms of analysing how products end their life and therefore how they might best design those products so that they minimise costs downstream or adverse environmental actions downstream.

**MR FORTE:** I think the problem is that optimising a product for the things that you just mentioned there may not make it a competitive product on the marketplace.

**MR WEICKHARDT:** So you're saying that there is a trade-off to a manufacturer.

**MR FORTE:** Yes, absolutely.

**MR WEICKHARDT:** And if they take all those factors into consideration they don't get rewarded for it.

**MR FORTE:** That's the way I would see it, yes.

**MR WEICKHARDT:** Yes.

**MR FORTE:** To have more data about it is something that we would welcome.

**MR WEICKHARDT:** Right.

**MR DOUGLAS:** You can't necessarily translate data from, for example, Europe to Australia because of the different processes that are used here. For example, we understand that white goods are going into shredders with cars, end-of-life cars, and

so that alters the characteristics of the waste. We believe that the white goods are a more benign product when they go through a shredder than automobiles because of the oil and other pollutants in automobiles. But that's the kind of data that we need: data unique to the country. We can't just borrow it from overseas.

**MR WEICKHARDT:** Just teasing out the issue that you're referring to, is it that perhaps companies may be aware of things that they could do that would ease end-of-life disposal or minimise risks at end of life, but are concerned that if they do them voluntarily they may be at a competitive disadvantage and therefore almost would prefer a legislative imperative to do them so that they can do them and do the right thing, but not be put at a competitive disadvantage in the process.

**MR FORTE:** Yes. Electrolux have certainly done some studies in Europe estimating the cost of producing products that are easier to recycle or disassemble and these can add quite a few Euros to the cost of a major appliance to provide the sort of outcomes that I guess as a community we'd all desire. As you point out then that puts you at a commercial disadvantage to go the full Monty, if you like.

**MR WEICKHARDT:** Again, just pursuing that a bit further, accepting the fact that ultimately we're all citizens of this world and we're all therefore exposed to both the costs of producing and manufacturing product but also the consequences of them being disposed of, if you looked right through the chain and the life cycle of the disposal would those extra Euros being invested in the start of the production be justified by the benefits that were gained by their easier disposal down downstream?

**MR FORTE:** I guess that's a question which depends on the value you put to the environmental advantages and, no, I don't have the answer to that. I just don't know.

**MR WEICKHARDT:** Because that plays exactly into the sort of area of the extended producer responsibility type of schemes that are advocated by some, by forcing the manufacturer to take responsibility for disposal. Their desire is that the manufacturer might think through the implications of disposal and take action to minimise those implications.

**MR DOUGLAS:** Surely that would only really work if all manufacturers adopted the same or similar principles and in the world market we have today it's very hard to envisage that happening, unless it were by a regulatory approach.

**MR WEICKHARDT:** Either that or if there were - and this again might be extremely difficult in practise, but in theory if there was a differential charge of manufacturers based on some assessed cost of disposing of their product which provided some incentive to the manufacturer to design it for better disposal or ease of disposal. But this comes back to, very clearly, understanding what the costs of disposal and the environmental consequence really are.

**MR DOUGLAS:** Yes, determining that differential would be a major challenge I would suggest.

**MR WEICKHARDT:** That having been said, I mean Electrolux as you mentioned before are a large and responsible organisation and operate in an environment where I guess they would perceive their customers around the world, and particularly in their native country, are concerned about issues of disposal. Have they experimented with the option of trying to sell a product to consumers and saying, "This may cost you a few more Euros, but this is good for the environment because it's easier to dispose of"?

**MR FORTE:** I can't answer that specifically, but there are certainly anecdotal stories that in places like Sweden, for example, people will pay for all sort of environmental advantages in terms of energy efficiency, water efficiency and end-of-life disposal that would perhaps not be in other member states of the EU. For example, I understand that in places like Poland there is not the same take up of those issues and there is, say, in Sweden and Germany. So there's some proof to what is being said, but I can't quantify it.

But in terms of studies, I'm sure that Electrolux would be willing to provide information in that regard and they can probably get statistics in terms of what turns the button on in people in various countries and whether that is a path that we can take. One of the statements that we make is that we will design products that are more energy efficiency and water efficiency not only because there are regulatory requirements for it these days, but because it makes good business sense. That's ultimately, I guess, what we would like to come to, that it makes good business sense to have products that are easy to dispose of as well as produce.

**MR WEICKHARDT:** Coming to the Australian environment do you have any market research or experience that indicates whether the Australian consumer is prepared to pay a premium for a product that is easier to recycle or dispose of at the end of its life?

**MR FORTE:** No, we don't, but what we do have is some information regarding what people will pay for in terms of energy and water efficiency.

**MR WEICKHARDT:** In those situations they're prepared to pay a premium?

**MR FORTE:** It's a very small percentage of people who are prepared to pay a premium for those things. I believe it's around about 5 per cent of consumers are prepared to pay a premium for a high efficiency, that's an energy efficiency product.

**MR WEICKHARDT:** So I assume without wishing to words in your mouth that

comes back to this issue of you'd almost prefer a regulatory imperative to do it rather than rely upon the good sense or good conscience of your customers?

**MR FORTE:** I like your idea of the incentive for companies, for those who are doing the right thing to be given some sort of incentive or disincentives for those who aren't; whether that's practical or not, I don't know. But I guess in short - and you've put the words into my mouth - yes, I think that a regulatory environment is probably the way that it will eventually have to go.

**MR WEICKHARDT:** You say you've written to the New South Wales government sort of seeking this additional input. It sounds from that that you see the New South Wales government being the sort of driver here.

**MR DOUGLAS:** Without question, the New South Wales government is the driver. It has responsibility for electrical and electronic waste and - - -

**MR WEICKHARDT:** When you say "has responsibility for electronic - - -"

**MR DOUGLAS:** Well, we are told that under the ministerial council it has responsibility for prosecuting these programs.

**MS JOHNSON:** And other state governments have different sectors; for example, Victoria has delegated responsibility for the mobile phone sector, but New South Wales and computers plus our sector.

**MR WEICKHARDT:** They're taking a leading role - - -

**MS JOHNSON:** They also as you're probably aware have their own Waste Act. I mean every state has its own waste legislation. So their priority statement that they issue every year which is a record of progress and a slight naming and shaming document, is actually done under their own waste legislation, not under the ministerial council. So they are convinced they're on fairly solid ground when they do both of these things.

**MR DOUGLAS:** At the same time in a recent meeting with the New South Wales government we were told that they would prefer a truly national approach but if that was not possible they had authority to go it alone.

**MR WEICKHARDT:** You believe from what you've seen elsewhere around the world and indeed from what you know of the Australian legislative environment and constitutional environment that they actually have the ability to go it alone? In other words is this an idle threat or is it a real threat?

**MR DOUGLAS:** We have conflicting evidence and to be honest we simply do not

know; possibly ultimately it could only be tested in court.

**MR WEICKHARDT:** The issue of really what environmental risks or societal risks are involved in end-of-life disposal of product, again if you look at your counterparts elsewhere, where is the leading work being done in that area to sort of flesh out what the real risks are?

**MR FORTE:** Well, I think the areas of greatest research are being done in the US and Europe.

**MR WEICKHARDT:** So coming back to your sort of call to the New South Wales government to perhaps contribute to some further study, would it be a matter of actually doing some pioneering work or would it be a matter of assembling the information internationally that's available?

**MR FORTE:** I think the majority of it is assembling the amount of data that's available internationally and then seeing where the gaps are or the differences are in Australia and making appropriate adjustments for that and bearing in mind that a lot of the products that we're talking about are in fact - the designs are driven from overseas even if they're still being designed in Australia to some extent. We have to be mindful of all those issues.

**MR WEICKHARDT:** Yes. I mean that again comes to an important issue because the sort of proponents of EPR schemes talk about the fact that this does send a very clear signal to a manufacturer or a product designer to design a product to mitigate or minimise risk in ultimate disposal, but if the design of the product is not in Australia then the issue is the degree to which the disposal issues in Australia are similar to overseas' issues or not. If we've got an EPR scheme we're certainly probably with 1 per cent of the world's economy not going to send a signal to a designer of an international product. So to what degree in these sort of fields do you feel that the Australian disposal risks and approaches are pretty close proxy for what's happening overseas?

**MR FORTE:** Well, certainly in areas like design for disassembly they're very similar. So I don't know the answer and we need to understand better we're the similarities are and how we can benefit from what's happened overseas and not make the same mistakes that are made overseas by the same token. But, yes, the fact that we have got such a small contribution to the problem, if you like, means that it's going to be very interesting to see what the similarities are and what we can benefit from from the overseas' work that's already been done.

**MR WEICKHARDT:** Your first submission talked about lighting and lighting products and you mentioned that in your introductory comments, but what's happening in that area?



**MR DOUGLAS:** We are looking at lighting. It's a difficult product because of the sheer numbers of them. It's difficult to transport a fluorescent lamp tube without breaking it and the costs of recycling are high compared to the initial costs of the product. We have a significant meeting coming up at the beginning of next month actually, which will make some decisions, but at the moment all I can say is that we're looking closely at lighting and it is a very difficult product in terms of recycling.

**MR WEICKHARDT:** Again, are you being driven by New South Wales here?

**MR DOUGLAS:** Yes, we're being driven entirely by New South Wales.

**MR WEICKHARDT:** Okay, all right. Thank you very much indeed. Have you got any further comments you want to make?

**MR FORTE:** I just wanted to perhaps emphasise that we believe that the waste to energy option is something we really feel has been overlooked and dismissed in a lot of the work that's already been done, and the other point which is part of our submission to the New South Wales Government is that we think the level of recycling of large appliances is actually much higher than is generally accepted. A recent study in New Zealand indicated that 95 per cent of major household appliances are, in fact, recycled in that country. So we think that the assumed levels in Australia, which traditionally have been between 70 and 80 per cent, are probably on the light side. So one of the things we really would like to find out is just really what the real level of recycling of these products is.

**MR WEICKHARDT:** Who do you hope will do that?

**MR FORTE:** Well, the independent consultant.

**MR WEICKHARDT:** You're happy to contribute to that.

**MR FORTE:** We're happy to contribute to the cost of that, yes.

**MR DOUGLAS:** We made that clear to the New South Wales Government in our letter.

**MR WEICKHARDT:** Right. Okay. Thank you very much indeed. We're going to adjourn now until after lunch.

(Luncheon adjournment)

**MR WEICKHARDT:** We'll resume the hearings now and our next participant are the Cement Industry Federation, and if for the transcript you could give your names and the capacity in which you're appearing, please.

**MS BAIN:** I'm Robyn Bain. I'm the chief executive officer of the Cement Industry Federation.

**MR RITCHIE:** Stewart Ritchie, policy manager for the Cement Industry Federation.

**MR WEICKHARDT:** Okay. Thank you for your submission and we've also got a copy of your action plan - - -

**MS BAIN:** Okay, the action agenda.

**MR WEICKHARDT:** - - - punching above its weight, and have scanned that and certainly read your submission in more detail, but if you'd like to make some introductory comments that would be useful.

**MS BAIN:** Sure. I guess to start with, we'd have to say we're quite encouraged by the draft report that you've put out. It certainly shed a lot more light on waste management than our industry and ourselves knew about in the first place. I guess we come to the hearings with two issues which is laid out in our submission. One is the issue again on the oil stewardship program, and we note your interest in that but are slightly perplexed as to why it came into the appendices of the document rather than in the main report given it is one of the first product stewardship arrangements that have come out and it actually does go against the principles of the hierarchy is a wrong hierarchy that is heavy on interference in the marketplace in terms of the whole program.

**MR WEICKHARDT:** Sorry, can you just clarify the comment you made about the hierarchy.

**MS BAIN:** The waste hierarchy - so the triangle where they say energy from waste recovery is right down there and the more you actually utilise or change the shape of the waste then the higher up the hierarchy you seem to go. We challenge whether or not that actually is a good way to look at waste, what makes higher up the hierarchy more valuable because you change something from round to square. Does that mean that it's of more value, better off to the community.

I guess the second issue is you raised in the report that modern landfills are priced about right and we're certainly not disputing that. We are wondering how many modern landfills there are in Australia and exactly what is a modern landfill as opposed to a not-modern landfill. On that basis, is landfill pricing correct if

not-modern landfills outnumber modern landfills. I guess that's our two points of which we come here.

**MR WEICKHARDT:** Okay. Thank you for that. If I maybe turn to your second issue first. I think our major emphasis about landfill was that landfills should be regulated to attack the externalities of concern, particularly amenity issues, and to address things like leachate and odour, and that the regulations should be enforced and that that was a better approach than applying levies to perhaps penalise landfills that didn't meet those sort of standards. I don't think we necessarily know how many landfills are actually in that state. I believe that is a material issue and we've asked for more information on that from various EPAs and regulators, but I don't think that information is very transparent to most of the public.

Indeed, we couldn't find any evidence in the initial investigations of any landfills that, for example, were prosecuted for not complying, although there was lots of anecdotal evidence from participants of the first round of hearings that some landfills did not comply with the regulations. A New South Wales EPA who appeared at the Sydney hearings - New South Wales Department of Environment Heritage and Conservation, did actually say that they would provide us with some information about landfill prosecutions, so they agreed that there have been non-compliances, but our central point was regulate landfills, enforce the regulations and then landfills should be priced at an appropriate level to internalise those externalities.

Now, coming to the issue of the oil stewardship program, why was it an appendix - well, partly because it technically isn't part of our terms of reference, it is not a solid waste, but it was a good example, we felt, of product stewardship program that perhaps one could learn from. But we, I think, did make some comments along the lines you have that there is an attempt to bias or to favour certain end destinations of recovered oil. Now, the DEC appeared here this morning and they made the point that the preferred outcomes were being favoured, those that had, I think - if I can find their submission, they used the expression those that have - let me pause a moment and I'll find the exact words they used. They're talking about the product stewardship program:

It was recognised that a more expensive recycling process was likely to require more incentive but would deliver a better quality product with improved environmental outcomes.

Now, I did ask them, and you can look at the transcript, on what basis had those improved environmental outcomes been ascertained, and I did point to the example you use of the ChemClear scheme and the fact that perhaps by skewing the waste oil scheme that product had been taken away from that application and that might have had a second order environmental outcome. The DEH simply said that

there had been quite a thorough study and the scheme was put in place after that study of the environmental outcomes, and they said that it was not just a simple following of the waste hierarchy that led to that scheme.

Now, they also in their submission pushed back against some of the material that we used in the draft report which cited an Allens study, and they claimed that that Allens study was based on some overseas experience in oil recycling which wasn't relevant to Australia. So you might like to look at their comments in their submission and also in their transcript.

But coming to that oil stewardship program, a few people who I have asked in hearings about the government's approach here have pushed back a little bit and said, "The cement industry are not being denied waste oil, they're perhaps not getting waste oil at a throwaway price any more. Waste oil is no longer, if you like, a distressed seller. There are other competing uses for it and if the cement industry want waste oil they're quite capable of buying it but they have to pay, 'Now a fair price.'" Have you got any comments about that?

**MS BAIN:** I wonder what a fair price is when you're being paid 50 cents a litre under the oil stewardship program for lube-to-lube and 3 cents a litre for energy from waste. What is a fair price when you're competing lube-to-lube on the price of a barrel of oil in today's market. We're using waste oil as compared to coal, so it's quite difficult to measure up apples and apples when you're operating in two different markets, but if one gets 50 cents and one gets 3 cents, there is a clear signal by government that they have a preference as to where they actually want their waste oil directed. But not only do they get 50 cents a litre, the lube-to-lube company which is based in Wagga, received 2 million - - -

**MR RITCHIE:** 3 - some millions.

**MS BAIN:** Several million to establish their plant because it wasn't established, so (a) we're competing in a different market, coal versus oil in today's prices, and even five years ago, five year prices there's a significant difference between oil and coal. The cement industry actually has - what it has done is priced hazardous waste higher to the person trying to dispose of it in order to actually pay the waste oil. So it actually has still moved there, but we still have this unlevel playing field in terms of lube-to-lube. DH also have said to us that, "There is buckets of waste oil out there so just go out and collect it." We have asked the question, "Where is it?" So in statistical terms they will say, "There are this many million litres of oil," but principally the oil that is relatively easy to get or in a concentrated market is probably a better way to describe it is actually being sought for and competed against in a 50 to three cent subsidy rate.

Now, as we said the first time, we don't care really if it's 50 cents all or

three cents all or better no cents all; does the government need to intervene in the market to actually pick up waste oil? I guess why we focused on waste oil is because we have so many other product stewardship councils on the move, whether it's tyres or telephones or fridges or whatever, is the general principle right that the government must intervene in the marketplace and does the consumer in the first place have to pay for that?

**MR WEICKHARDT:** Yes. I think that DEH have said that that oil scheme does come up for review fairly soon and I think they said at the first round of hearings that the subsidies were put in place for a period of time to establish a lube-for-lube facility but that this was not sort of a permanent type of arrangement so it may well be that the playing field becomes more level as time goes on but I guess I was interested in their comments that this had been after looking at environmental outcomes and I was interested as to whether or not you had had any part in any sort of study of looking at the environmental consequences, taking into accounts things like the ChemClear approach. Were you part of any study there?

**MS BAIN:** No, we weren't. Allens did the review of which you cited in the report. They did the review of that.

**MR WEICKHARDT:** Yes.

**MS BAIN:** There was also, as I think they did say in their original submission, that there was a review of the program. There was a review of the program prior to the last federal election, 12 months prior to the last federal election, with a whole series of recommendations of which have not been implemented because the federal election took place and it takes time et cetera.

**MR WEICKHARDT:** Right.

**MS BAIN:** It has already had one review and it would be extraordinarily helpful if those recommendations of that review actually took place.

**MR WEICKHARDT:** Yes.

**MS BAIN:** But the principle of the program still remains: does the government have to intervene in waste policy in this format? Is it really up to the taxpayer to do this?

**MR WEICKHARDT:** Yes. I understand your question and I'm not here unfortunately to answer that but let me just clarify that at the moment I think you're saying, putting aside the ChemClear issue, that the cement industry really can't access any large volumes of waste oil at a price that's attractive enough compared to alternate fuels?

**MS BAIN:** Well, compared to coal. I mean, this fuel is competing with coal.

**MR WEICKHARDT:** Sure. So the waste oil at the moment is going to other applications, whether it's lube-to-lube, and the cement industry is burning coal.

**MS BAIN:** The cement industry is burning coal plus gas.

**MR WEICKHARDT:** Right.

**MS BAIN:** So it competes on two fronts; coal and gas. We still do take waste oil and a reasonable amount of waste oil. There are two plants. One is the plant at Waurm Ponds which is a direct cement plant and it's being fed waste oil which is the - I think it's called waste oil bottoms which is once it has gone through all of the other processes from lube-to-lube et cetera, then you get the black sludgy stuff and that's what's going in to Waurm Ponds. Then the second application that the industry uses is the ChemClear so it's taking hazardous waste and using waste oil as the solvent that can dispose of the hazardous material.

**MR WEICKHARDT:** Yes.

**MS BAIN:** It turns that into a fuel and it runs up through Queensland.

**MR WEICKHARDT:** Yes.

**MS BAIN:** So we have two slightly different, although from the same industry, applications for the product.

**MR WEICKHARDT:** The approach in the ChemClear case sounds reasonable from one point of view. I'm sure my colleagues in the chemical industry might not see this but if they have got to get rid of a hazardous waste, and this is the only way of doing it, then they have to pay whatever it takes and if that's more than they were previously because waste oil is now more valuable, well, so be it.

**MS BAIN:** Yes. Then on that basis that's why we asked you the question about landfill because the other side of the equation is it needs to compete with the other means of disposal which is landfill.

**MR WEICKHARDT:** Yes. That would be both liquid and hazardous.

**MS BAIN:** That's right.

**MR WEICKHARDT:** So on two categories unfortunately that falls outside my terms of reference.

**MS BAIN:** Yes. We understand that which is most unfortunate because you have got then two ends of the market.

**MR WEICKHARDT:** Yes.

**MS BAIN:** But at the moment your - well, let me not put words in your mouth. Do you understand that most of the product is still being disposed of through the cement kiln process or is there quite a large quantity of that hazardous solvent going to landfill.

**MR RITCHIE:** What tends to happen is it tends to delay the disposal process so you end up with material and stock that, by virtue of the fact that they find it much more difficult to source, you know, a suitable waste oil to blend with, those materials end up in stock for a longer period of time which will have the impact that it may well slow down further collection of material through ChemClear-type programs. Also obviously the cost of those programs will inevitably increase as well.

**MR WEICKHARDT:** Yes.

**MS BAIN:** I think the Geocycle plant in Dandenong is quite a unique plant which is relatively misunderstood in that it's designed actually to create a fuel so it's not designed as an alternate to landfill disposal. It's a business in its own entity designed to make a fuel to fill a cement kiln. When it was first started, which is 15 years ago, waste disposal and waste management in Australia is very different than what it is today.

I have to say we're pleased about that; that we have grown and things have travelled along quite well but when we do have difficulties is where the government has actually intervened through a program that has not recognised this as a legitimate form of disposal, so a legitimate form of use for waste oil or any solvent, liquid solvent, and a legitimate form of disposal of hazardous waste, so because there are not lots of them around there's only two in Australia. One deals with Schedule X Waste which is in Brisbane and then this other one in Dandenong so there are not a lot of them about but they have been around for a considerable amount of time, and I might say lost money for a considerable amount of time.

That's up to the company if it wants to continue to operate at a loss but since the cement company, Cement Australia, has actually taken it over, then it has a direct means of sourcing its fuel supply so things are actually looking considerably better, but as the country has moved away from solvent-based, say, oil-based paints or from any solvent that has got a calorific value, then the squeeze for that material to dispose of the stuff is on and we just see this program as quite a problem, not that we have resolved that.

**MR WEICKHARDT:** But if hypothetically we project forward to a situation where perhaps all subsidies are withdrawn from the oil stewardship program or there's a completely level playing field, and if the lube-to-lube people are prepared to pay more than your members are for the oil, are you entirely at piece?

**MS BAIN:** Absolutely. So be it.

**MR WEICKHARDT:** All right.

**MS BAIN:** Let the market reign.

**MR WEICKHARDT:** All right, thank you. Now, you also raised some points in your submission about the issue of classification of wastes and the availability of particular products for use in the cement industry, the SEN materials.

**MS BAIN:** Yes.

**MR WEICKHARDT:** You make a comment saying you believe a uniform classification system is a low cost and sensible first step towards harmonisation.

**MS BAIN:** Yes.

**MR WEICKHARDT:** Can you tell me why you think it's a low cost step because if it were I'm wondering why it hasn't happened.

**MS BAIN:** Why wasn't Australia federated in the first place. Yes, sorry.

**MR WEICKHARDT:** Pass.

**MS BAIN:** Yes.

**MR RITCHIE:** I think that comment was really made in relation to some difficulties that were expressed in the report about the cost of the uniform regulation within the states. Within the report that seemed to be linked also to classifying waste and I guess what we're really trying to say was distinguish that the regulation very much depends upon the classification system that's in use. In other words depending upon how a particular jurisdiction classifies the material then the regulation follows. Now, at the moment we have got a mixed bag of regulation and a mixed bag of classification systems so really, you know, we felt that a classification system is not - we're not re-regulating. It should be more a technical issue. It should be a relatively easy step.

I think we made the point in our first submission that, you know, the EPHC



was running an inquiry into classifying certain materials and I think the point we made there was that why do we keep, you know, preclassifying materials? Why are we arbitrarily calling them something and then looking at the classification for that rather than a broader based approach to materials classification based on hazard which is really what it should be. You know, we keep throwing back to - well, I guess, you know, what we have seen up in Toowomba this weekend is a classic case. you know, focus on recycled water and how we classified that rather than the whole thing. So that was really the reason for that comment.

**MR WEICKHARDT:** All right.

**MS BAIN:** Our issue really is fly ash and slag, that's principally the SEMs that we use, and dependent on which state, and I can't give you a specific example - Stuart might be able to - of sometimes the state will actually classify fly ash or slag as non-hazardous, but then it may trigger a travel time or it may trigger a weight or something at the local government and then it will change into a hazardous substance. Well, it hasn't changed its identity just because it's transported from A to B. If it was just a straight regulatory system or classification that says, "This is fly ash and if it has content of X, Y and Z," then it's either hazardous or it's non-hazardous, so at times we actually trigger state plus local government in terms of the SCM issue, and that's just a deterrent to pick it up. Because sometimes it's just all too hard and we'll just keep making clinker.

**MR WEICKHARDT:** I understand that there are some exemptions in place that allow you to get, you know, sort of around these classifications and then use the material. Somebody has told us - and don't ask me who - that the classification system or the exemption system actually is now starting to work quite well in Queensland and New South Wales. Is that your experience or not?

**MS BAIN:** Queensland is.

**MR RITCHIE:** Well, Queensland has some additional regulation now that is essentially a licensing type of process whereby you can put an application into the jurisdiction and based on the merits of the material and the materials used, they'll provide you with the licensing. But it's essentially a permitting process rather than a classification regulation process. Before that instance, fly ash was dealt with by virtue of a policy statement of the government. While that may be convenient, it won't stand up in a court of law.

So effectively you've got business operating with materials under the promise that a government effectively won't prosecute. If that situation was to change, you're contravening the law. So it's not - well, it's a marriage of convenience, I guess.

**MR WEICKHARDT:** But it's sort of working, you're saying?

**MR RITCHIE:** The process works. I don't think it works in an ideal manner in that effectively it's a licensing or permitting type of arrangement, and I think what we're really saying is, "Let's get the classification system right, and then let's work on a consistent regulation approach to those particular hazards." You know, I think a good example is in the dangerous goods and transport and how they do that, which is based on, you know, a material testing regime; identifying particular hazards and then putting in place guidance on how to deal with those hazards in the specific instance in transit.

I think that's a good model for how we should deal with other use of storage and regulation of materials. But we keep falling into this trap - and fly ash is a classic example that fly ashes aren't fly ashes, and that's unfortunately a traditional term that we've used for a whole range of materials that may have a whole range of hazards. Because they have a whole range of hazards, we tend to take the most conservative approach in regulating those, rather than saying, "Well, you know, this particular set of materials exhibit a certain range of hazards and we should deal with those in a certain way."

I think the essence of the New South Wales classification system is around that, that you have a series of tests and they're classified as inert or hazardous or - I can't remember the exact categories, but to me that makes much more sense.

**MR WEICKHARDT:** Okay. Thank you for that. Now, one product stewardship scheme which is another scheme that is mooted and is relevant to your industry is the tyre product stewardship scheme. We made a comment in our draft report that whilst we can understand the requirement that I think Victoria have to see tyres shredded, so that if they are disposed of in landfill they don't cause problems, but once they're shredded there should be a level playing field of disposable options either to landfill, to the cement industry if they want to use it as a fuel, or for people to make rubber mats or whatever out of it. Now, I'm assuming - - -

**MS BAIN:** Swans sounds good - rubber swans sounds good.

**MR WEICKHARDT:** Rubber swans? Okay.

**MS BAIN:** Sorry, I was - - -

**MR WEICKHARDT:** I'm assuming you don't have any problem with that sort of approach?

**MS BAIN:** I can't say we really do.

**MR RITCHIE:** I guess not. I mean, I guess it seems to us a little perverse that

you'd expend energy into processing a material that is an excellent fuel grade material but then bury it. Now, while I understand from an economic perspective that maybe that's what the market dictates, it seems to us that that's, you know, something of a market failure situation.

**MR WEICKHARDT:** Surely it's up to your members to decide whether they want to procure it.

**MS BAIN:** That's right.

**MR WEICKHARDT:** If they're not prepared to pay the alternate price of landfilling it, well, so be it.

**MS BAIN:** That's right. As long as landfill - and I guess that comes back to our question: how many landfills are priced appropriately.

**MR WEICKHARDT:** Sure.

**MS BAIN:** As long as landfill is priced appropriately, because you put shredded tyres or whole tyres - whatever tyres - ultimately you're going to create methane.

**MR WEICKHARDT:** I don't think shredded tyres will create too much methane.

**MR RITCHIE:** Not for a long time.

**MS BAIN:** A thousand years.

**MR WEICKHARDT:** I think they're pretty inert, but, I mean, at the end of the day, if you're competing with a landfill - - -

**MS BAIN:** That's right.

**MR WEICKHARDT:** - - - you're competing with one supplier or one outlet that's going to charge money to take the product away and you're saying this is a valuable fuel.

**MS BAIN:** And if it's so valuable - - -

**MR WEICKHARDT:** If your members aren't prepared to - - -

**MS BAIN:** - - - to us, we'd pay for it.

**MR WEICKHARDT:** If your members aren't prepared to take it away at a price that competes with landfill, they're pretty tough hombres.

**MS BAIN:** That's exactly right, knowing full well that our members compete with energy on the price of the basis of coal or gas, you know.

**MR WEICKHARDT:** I don't think you normally get coal or gas at a negative price, do you?

**MS BAIN:** No, but if tyres went the right way, would cement kilns actually take it at a negative price? Would actually they pay? I guess that's a question I can't answer and it depends on the price of coal ultimately, and it's up to the companies, whether it's cement or whatever it is, whether or not they choose to put tyres in or choose to put coal, yes. But do we have a problem with it? I don't think so.

**MR WEICKHARDT:** Okay. Good.

**MS BAIN:** I guess overall the principle of the three cement companies is that we're not an interventionist type of industry. We don't believe in interventionist approaches. We certainly don't believe that governments should pick winners or losers and yes, we are strong believers that the market will naturally do what the market does. Would we have ever been here before the Productivity Commission on waste management? Probably not, unless the oil stewardship program drove us to this point, because it is clearly an interventionist approach. Let's hope that the tyres don't go in the same direction.

**MR WEICKHARDT:** I think certainly some of the early documents we saw suggested that there would be a waste hierarchy approach to the use of products out of tyres, which is the reason we made the comments we did in our draft report.

**MS BAIN:** And the reason of which we fully agree with your comments is to what is the basis of a hierarchy? Who says what's best and what's not best?

**MR WEICKHARDT:** I mean, we've got no difficulty if there is an appropriate study done of the environmental consequences of certain uses of these resources, but based on a simplistic generalisation of waste hierarchy I think is not an appropriate way to determine the right sort of approach here. So it may well be that if you look at a total life cycle and analysis that making rubber mats or even rubber swans is the right way to go - well, if so, that's all right, but simply pointing at a generalisation rule book like the waste hierarchy seemed to us to be an inappropriate method of determining this.

**MS BAIN:** I think when you add the waste hierarchy to the underlying capital subsidies that come out of the program, like we said before, the lube to lube operation that receives 50 cents a litre for oil didn't exist prior to the hierarchy or the structure of the program being set up, and not only do they receive that type of

approach from the government or really from the consumer, but they got an additional \$2 million to pay for this facility. If the facility had been able to stand up in its own right then it would have. Is that the best way to spend a taxpayer's dollar?

**MR WEICKHARDT:** Okay. That's a good lead in to my next question which was a comment in your *Punching Above Its Weight* document on page 46 where you say:

Government involvement in making available more information on potentially recyclable materials, particularly in making existing information more available and encouraging basic research into candidate commercial materials, would also be useful to other industries.

Why don't the industries do this stuff themselves?

**MS BAIN:** We do actually. We do do a lot of it, trying to ascertain where the waste is, how much there is and how much it will cost to actually bring it in. But we also see that the waste industry is in its infancy. It's desegregated. It's kind of like a hole in the ground and people throw stuff in, and then it's grown from there. It would - in developing *Punching Above Its Weight*, we actually spent a fair bit of time with Geo Science Australia trying to line up all the various plants and operations in the facility of the cement kilns, like the power stations, the steel manufacturers, aluminium, pulp and paper plants.

While Geo Science Australia had some information, probably I'd have to say no more than what the three companies themselves had at that time. When you extend past the obvious and start to look at wastes that are in landfills, it's very difficult to extract the information that's required. So exactly how much demolition timber comes out of the South Australian landfill and - or goes into the South Australian landfill. So if we were looking at putting on a demolition timber line into Broken Head, then can you? Like does South Australia produce enough of that? If it doesn't, where are the other landfills? What's the cost of transport, et cetera?

So there's a lot of information that is not there and that's why we brought it up in the report, in our *Punching Above Its Weight*. If we really want to start to utilise stuff that is traditionally in landfill and start to view it as a resource rather than a waste, then we're going to have to get our act together and find out how much there is, where you can source it, how much the transport costs and view it like we view a normal resource operation; whether it's coal or iron ore or whatever it may be.

That's a choice for the country really: is it a waste or is it a resource? To a large extent it's a choice for companies like the cement companies. Like I say we have - and we do put a significant amount of energy into finding out where these materials are and in what form they can come, and all of that, but it's at the very basic - when you look at Europe and what they do with those cement kilns over there, they

are so far in front of us, but they view their landfills very differently to how we view ours, and they view their cement kilns, I have to say, very differently as well. I think maybe it will happen. It's just progression.

**MR WEICKHARDT:** Okay. Look, thank you very much indeed for your submission and thank you for appearing.

**MS BAIN:** Thank you.

**MR WEICKHARDT:** Okay. We'll just adjourn briefly.

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**MR WEICKHARDT:** So our next participant is the Federal Chamber of Automotive Industries and if you could give your name for the transcript and the capacity in which you're appearing, please.

**MR STURROCK:** Certainly. Peter Sturrock, the chief executive of the Federal Chamber of Automotive Industries.

**MR McKELLAR:** Andrew McKellar, director of government policy, also Federal Chamber of Automotive Industries.

**MR WEICKHARDT:** Thank you very much indeed and thank you for appearing and thank you for your submission. If you want to elaborate on any aspects of that, please do so, but assume we've read it.

**MR STURROCK:** Thank you. We would like the opportunity to present our views on the commission's draft waste management report. As our submission of 30 June indicates, the FCAI believes that the commission's draft report presents a robust analysis of existing and proposed approaches to waste management in Australia. In particular, the chambers takes a close interest in the analysis and draft recommendations relating to issues of extended producer responsibility and product stewardship.

Product stewardship arrangements are either already in place or have been proposed for a number of automotive-related products. The FCAI is currently examining the possible implications of proposed arrangements for used tyres. We believe that the commission's draft findings and recommendations in relation to these issues appear to be well founded. We agree with the direction of the commission's findings and would encourage the commission to confirm its conclusions in its final report.

Turning to the specific issue of the proposed product stewardship arrangement for tyres, it's to be noted that with the equivalent of around 35 million new passenger tyres entering the Australian market each year it has been estimated that approximately 21 per cent of these are 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 commercials and motorcycles, clearly has a strong interest in any arrangement which may 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 10 years. We maintain that this target has been

arbitrarily determined and that 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.

Given that there are a range of alternative uses which could yield a possible value for 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. FCAI questions the effectiveness of proposed arrangements for an advanced recycling fee to be imposed on new tyres as they enter the Australian market. 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 could more effectively reflect the cost of disposing of waste tyres to consumers or to provide appropriate incentive for increased recycling or re-use of used tyres.

Indeed, it is noted that in many instances tyre retailers already impose a fee on consumers to cover the cost of handling and disposal of used tyres. While there may be a debate about 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 manufacturer or importer level. On the basis of the evidence available at this time, the FCAI believes that arrangements proposed under the draft tyres product stewardship agreement do not meet the requirements described in the commission's draft recommendation.

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 arrangement for tyres should not proceed in their current form. In closing can I reiterate that the 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. We await the commission's final report and the government's response with interest. Thank you.

**MR WEICKHARDT:** Okay. Thank you very much indeed. Can you help me understand better why the FCAI only became part of the tyres roundtable in late 2005, because we had been led to understand that this tyres roundtable have been talking about the issue for many years.

**MR STURROCK:** We have had quite informal discussions with representatives of the tyre industry over a couple of years along the line of - they were contemplating creating some future plan and that it was a matter that they were considering but there was no formal structure or no formal plan put to us at any point. It was only late in 2005 last year that we became aware of a plan being developed through DEH and it was then that we said, "Just a minute. We need to be involved in this. This is



directly affecting us and if you are drafting a proposal surely you should be talking to us in quite a formal fashion." DEH was somewhat embarrassed by the oversight as were, I think, the tyre industry itself and quickly involved us in those discussions and hence our involvement from that time to this.

**MR WEICKHARDT:** I presume for your industry this is not exactly a unique situation. I assume that disposal of tyres in other locations around the world is an issue that has been debated and I guess, but I don't know, that this is not the first product stewardship scheme or extended user responsibility scheme for tyres in the world that's being mooted.

**MR McKELLAR:** No.

**MR WEICKHARDT:** Based on that experience what's your observation about the scheme that is being proposed for Australia?

**MR McKELLAR:** Yes, that's right. There are in place around the world a number of arrangements, product stewardship arrangements, for disposal of tyres. I think it's fair to say that in general the way they are structured is that there is some sort of pricing arrangement established at the consumer level so that there is a transparent signal to the consumer about what the cost of tyres disposal will be. In fact currently in Australia of course in many instances that sort of mechanism, as Peter mentioned in his introductory comments, already exists.

At the moment there is a fee charged to consumers for disposal of tyres. So I guess we would say that if an arrangement is to be contemplated it should seek to ensure that there is transparency at the consumer level, that people see and understand that they are paying a fee for the disposal of their tyres or the collection of their tyres and disposal of their tyres and that fee should be set to appropriately represent whether or not the tyres are going into a landfill disposal or whether they are going to some alternative use and presumably the pricing should reflect that accordingly.

If there's a positive value on the tyres for use as an energy source or some other alternative tyre-derived product then that will be reflected in the price and the consumer will be able to see that if that's the case then they will pay less for their tyres. I think where we would see this scheme that is proposed under the tyres product stewardship proposed agreement, it's an advanced recycling fee which would be levied on importers of tyres whether those be in loose consignment or vehicles or on the manufacturers of tyres.

Now, particularly when you're bringing vehicles into the country with tyres fitted there are fixed pricing points that are established and it's very difficult then to reflect that or pass that on through the supply chain. So effectively it's a straight hit

to the vehicle importer or manufacturer and not something that is easily then passed on through the supply chain to reflect the true costs to people down the line. So I guess we would see that in that sense it's not clear that the arrangement that's been proposed will lead to a better or more transparent outcome that is likely to lead to changed behaviours. We would see that an alternative set of mechanisms needs to be contemplated that will more effectively address any sources of market failure, externalities or other sources of market failure, and lead to a more effective outcome.

I guess that's why we see the commission's analysis and its findings and draft recommendations as really being a breath of fresh air in terms of the approach to these issues and presenting a much more considered path to take.

**MR WEICKHARDT:** Thank you. I guess I do understand however that one of the concerns that the various governments are wrestling with here with the industry is the issue of illegal disposal and a fee that's imposed on people at the moment that they are disposing of or changing over tyres does, I guess, provide a risk that some people decide to evade that fee by some form of illegal disposal or hoarding them or putting them in stockpiles, and they then cause fire and there are sorts of issues around that. But coming back to your point about the levying of some charge up-front, I guess I struggle to understand why that would not be passed on to the consumer in exactly the same way as the duty on the import of the car or the port charge or the government charge of stamp duty or whatever else. I mean it's just another charge that presumably the final distributor of the car would include.

Now, whether that would be transparent, a fee, and I'd be interested in your figure of how much that would be per car, but I can understand it might not be very transparent, but nor are a whole lot of other charges that are added on to the car when you buy it.

**MR McKELLAR:** I guess the issue is fundamentally the cost and it's a cost in terms of manufacture and distribution is one that that's under enormous pressure right across the industry. Adding additional costs for such things as we're describing simply goes against the whole objective of the industry to keep reducing costs and so any particular additional fee that may be contemplated to be added to, for example, the cost of new tyres coming in on an imported vehicle or alternatively the cost of those tyres fitted to a locally produced vehicle, would simply add to that cost and then it multiples back through the cost structure to the ultimate retail price.

Now, as you rightly point out there are a raft of varying costs and charges and fees and other things which make up the final cost price of a new vehicle, whether it is locally manufactured or it is imported, however, the whole issue of the industry is one of costs down, costs reductions, greater efficiency and this simple issue goes directly against that whole trend. So that's the fundamental issue in the first instance aside from the second point being the transparency issue, if you like a cost added

that's simply lost in the whole transaction price and is largely forgotten.

For those two basic reasons and the other matters we've outlined in our presentation we do believe that an end-use type disposal charge is a far better and more transparent way to identify what that cost is. Secondly, if there could be a market that can be further enhanced for the use of used tyres, be it for landfill or for energy use or whatever, then surely that market use would attached a value to the used tyres and could create greater efficiency in the use of those used tyres.

**MR WEICKHARDT:** I understand that point, but just coming back to the likely impact on the industry of an up-front charge, how much is that likely to be per vehicle?

**MR STURROCK:** Well, the discussion ranges from a few dollars a tyre to maybe 20 or 30 dollars a vehicle. It's an unknown factor.

**MR WEICKHARDT:** Given the fact that if this scheme were introduced, everyone will be paying it.

**MR STURROCK:** Yes.

**MR WEICKHARDT:** Do your studies of the price elasticity of demand for cars suggest that an extra \$20 a vehicle is going to stunt the growth of the industry?

**MR STURROCK:** Well, it's the issue of the cost being imposed on the vehicle importer or manufacturer in an arbitrary sense to simply cover the cost of disposal of the used tyre at some future point.

**MR WEICKHARDT:** It's hardly arbitrary, is it, if it's to ensure that the tyres which could be in incorrect disposal or burning a hazard, if it's intended to eliminate that risk, it's not arbitrary. It might not, in your view, be the best approach, but it's not arbitrary, is it?

**MR STURROCK:** I don't think that there's any real evidence to suggest that people that are, if you like, buying tyres or changing tyres over, are being turned away by the concept of the fact that in buying four new tyres for their vehicle or two new tyres or whatever, that there is a small charge added for the disposal of those tyres. We're not suggesting that people are baulking at replacing their tyres or disposing of their tyres suitably through the retail outlet simply because of that so-called reuse or disposal fee.

Coming back to the first point about the cost of a vehicle and a 20 or 30 dollar cost on the vehicle affecting a sales issue, it is all about the cost impact on vehicle manufacturing and distribution and the brands to an individual brand would say to

everybody that in the cost down pressure that simply adding additional cost to the cost of tyres or any other basic commodity is something that they're trying to avoid and hence the very, shall we say, rigorous sourcing arrangements which go on regarding components, including the negotiation of the purchase of new tyres.

**MR WEICKHARDT:** Peter, I assume rather mischievously then all your members would agree that taking the duty on the cars away entirely so that we get even greater cost down on the price of a new car.

**MR STURROCK:** Ultimately duties will disappear as they are scheduled. It was part of the long-term government plan and I think the industry accepts that very clearly in the spirit with which its been delivered.

**MR McKELLAR:** Just on the issue is it arbitrary or not, I guess one point there is that in what has been proposed, if you like, there would be a more or less uniform fee that's charged at the point of entry to the market. Now, I guess our proposition would be that the alternative to that is that there is a choice at the consumer level that reflects locally the cost of disposal, and that cost will be influenced either by the cost that is incurred in disposing of tyres to legal landfill, or alternatively to their sale to somebody else who wants to use it as, you know, for development of tyre derived products or in fuel or whatever it might be. So it really should be the marketplace that determines what that is.

Now, in each case that pricing needs to effectively reflect the full cost of landfill disposal if that's going to be the case or the alternative, but in essence, let the market determine that. If there's a positive value that can be attached to these products as an alternative use, then that will influence the price that the consumer pays when they buy the tyres or when they dispose of their old tyres, rather than try and set up some sort of artificial centrally planned constraint which says, "We'll run a model, we'll work out what the average figure should be, then we'll impose that on every tyre that comes into the country," and whether or not that gets fully transmitted through the supply chain or not, and I guess our point is that given the sort of fixed pricing points that just as a function of reality exist in the marketplace, you know, a 2990 vehicle is not going to be a 2990 vehicle plus \$5. That's unrealistic.

Those price points are going to be determined by broader factors. We are not going to add those little increments on, it's just going to have to be absorbed and people will lose margin. At the end of the day is market efficiency improved by that. Is there a transparent signal that ends up going through to the consumer or not. Now, you know, in some instances it may be passed through, in other instances it won't, but by the time you get down to the point where the consumer is making the decision, do they know where the tyres that they are buying are ending up, and are they seeing some sort of appropriate price signal reflected in the price that they pay that gives them an indication of that. We would argue that it is better that that be the

result of market forces at that stage in the supply chain rather than some arbitrarily determined figure that aggregates across the whole industry and just imposes a uniform advanced recycle fee at the point of entry into the market.

**MR WEICKHARDT:** Okay. I mean, I understand you and I'm not here as an advocate for the product stewardship scheme as proposed, but I guess my question is how would you recommend that the issues of illegal disposal for tyres is dealt with?

**MR McKELLAR:** Just on that point, can I say I think we would certainly stress that - I mean, we're not coming forward with no alternative proposal. We are looking at these issues and working through them as an industry and saying that we do need to ensure that there is a comprehensive arrangement in place that corrects for market failure where it exists and corrects for regulatory failure where it exists. Now, the issue of illegal dumping of tyres, illegal stockpiling and so on, and all the risks that that possesses, needs to be taken into account and I guess really we would see that as being an issue of potential regulatory failure or certainly something that may need to be addressed through regulatory mechanisms. In our view, it is up to state and local jurisdictions to have in place the appropriate regulations to ensure that those risks are minimised. That there is appropriate - - -

**MR WEICKHARDT:** How do you suggest that's done?

**MR McKELLAR:** - - - licensing in place in terms of ensuring that standards are put in place for people who are collecting and transporting tyres and disposing of them, that they're licensed, there is a degree of quality control in place to ensure that they understand the consequences of disposing of tyres in an illegal fashion. Clearly the risks inherent in illegal behaviour needs to be commensurate with the costs that that has for the more general community. So in terms of the enforcement actions that state and local jurisdictions take to minimise the occurrence of that sort of illegal behaviour, that needs to be appropriate to ensure that people don't just see that, "Well, there's no consequence from undertaking illegal dumping, there's no cost to me, I can just offload it. I can get rid of it in this fashion. It's very unlikely I'm going to get caught and it's very unlikely I'm going to face a penalty."

So really it is necessary to ensure that the appropriate regulatory structure is in place. The appropriate level of enforcement is in place and the appropriate level of penalties are in place to minimise that sort of illegal behaviour, as with any sort of illegal behaviour. Now, once you have effectively addressed the illegal activity, then equally there is the question as to what should occur in terms of the regulation of legal means of disposal, legal landfill, and that should be appropriately priced and regulated, and if there are externalities in relation to that which can be managed through regulatory processes such as the requirement that tyres be shredded or at least partly processed prior to being disposed of in landfill, then that may be an appropriate means of regulating to ensure that that externalities are minimised, and

beyond that we would see it as being preferable that marked based instruments are used to determine then what is the balance between landfill disposal and alternative means.

**MR WEICKHARDT:** I suspect that if we had all the states and territories here they'd say, "We've got all the regulations in place but it's hard to enforce and catch every person that seeks to either forward or to illegally dump tyres," and I assume that's therefore why people have, in this round table that's been talking about it, turned to consider some form of advanced disposal fee.

**MR McKELLAR:** I suspect not. I would suspect that, in fact, the main focus within the round table has not been the illegal risk, it's been the legal means of landfill disposal and, in fact, if you look at what has been established as an objective, the stated objective of the proposed tyres product stewardship agreement is to achieve a given level or a target in terms of diversion to approved end markets, so overwhelmingly the focus of the tyres round-table discussion has been diversion away from legal landfilling to alternative markets rather than addressing the illegal dumping issue.

I think as part of that analysis, there's a suggestion that illegal dumping of tyres will naturally reduce to a much lower percentage as a consequence in the arrangements that will be introduced. Exactly what the mechanism is for achieving that is unclear, but I guess we would see the issue of illegal dumping as being the first priority to address primarily through regulatory means, and then the second issue is ensure that the costs and any instance of market failure in relation to the legal disposal of tyres is appropriately reflected and then allow the market to determine what is the optimal level.

I mean, if there are good tyres going to waste in legal landfill disposal as was postulated with the previous representatives, then there's an opportunity there. If cement kilns rather see that as a valuable energy resource which they can get at a cheaper price than paying for coal or some other means of energy source, then it's there going begging and it's available to be bought at whatever the appropriate cost is. If they can get it cheaper than they can get coal, and on a regular, reliable basis, presumably they're not going to waste their resources and their money paying more for other energy.

**MR WEICKHARDT:** Okay. Well, you're now a member of the round table and you're participating and I assume your views are being presented there.

**MR STURROCK:** They are.

**MR WEICKHARDT:** I guess I'll leave that process to play itself out, but could I turn now to product stewardship and disposal of entire cars rather than just talk about

tyres, because we heard during the first round of hearings in this inquiry that there had been some interesting developments in terms of the recycling and recovery of cars at end of life which have been caused by the increase in the landfill levy in New South Wales. I think the argument goes a bit as follows, and that is because new lighter-weight cars have a large component of plastic in them, they generate a larger component of shredder flock after the car is shredded, and because the shredder flock at the moment goes to landfill, as some states, in particular New South Wales have increased the landfill levy, so the cost of disposing of the shredder flock has gone up.

It was put to us during the first round of hearings that rather perversely you now have a situation in New South Wales where cars that are in remote and regional parts of the state are no longer worth picking up and transporting to Sydney, for example, to be shredded and for the metal to be recovered and recycled because the cost of the shredder flock and its disposal have made that uneconomic. So the consequence now of that increase in the landfill levy is said to be that those cars are simply landfill in their remote or regional area. So this levy that was supposed to encourage recycling in that instance is said to have discouraged it. Do you have any comments or experience of that?

**MR McKELLAR:** Look, we don't have any direct knowledge of what that evidence shows, whether that is the case, and anecdotally that has been suggested. I guess that would probably just highlight our concern that landfill levies, where they are imposed, should accurately reflect, I guess, the costs associated with that means of disposal. If it becomes a punitive levy simply to discourage use of landfill, as it were, then that will be the consequence of it, and if that makes it uneconomic to recover used car bodies from remote locations or rural locations then that may well be the consequence. I guess, you know, that is - I mean, if it's occurring it's almost not a surprising outcome that that would be the case but do we have direct evidence that that is occurring? No, we don't.

**MR WEICKHARDT:** Okay. We also had DEH in their submissions and also in the hearings this morning talking about the fact that sometimes government intervention is required to remind industry of the benefits of designing cars or any product so that they take into account end of life disposal issues and that indeed I think they cited examples of helping industry recognise the benefits of taking account of the full cost of disposal or the benefits of lightweighting so that there was a less of a waste disposal problem or lower costs of the original resources going into these vehicles.

As you might imagine, a few people have suggested that governments shouldn't be interfering or "helping" industry in this regard, that that's a job for the industry itself. Others have put to us however that - and the electrical industry this morning said sometimes companies have to be encouraged to think of end of life disposal issues because it sometimes costs money to do that and the consumer won't

necessarily pay for that and so regulation is the best approach. Can you talk a little bit about the, sort of, degree of attention that your members give to end of life disposal issues of entire vehicles? I mean, clearly it's an issue that's been around in Europe for some time but is this an issue that receives a lot of attention in the industry at the moment?

**MR STURROCK:** I think it's fair to say that as very much a global industry and our participation within that overall global industry, the individual vehicle manufacturers are very focussed on developing efficiently the products for the market as their customers want and need and to ensure that they are producing what is most desirable for their brand or their model for those various markets. Obviously there will be differences place to place throughout the world but that is the key driver in terms of the design, development and technical innovation along the way of a particular brand.

Having said that, they are all individually very aware of their social and environmental responsibilities as it relates specifically to things like fuel consumption and emissions and those matters which are of the environmental arena as well as their own issues to do with occupant protection and safety and so on. Now, within that arena of the environmental awareness as they build products to achieve better outcomes, as I say, primarily for fuel consumption and emissions, there are issues to do with recycling, particularly the reuse of materials which may be able to be simulated through that whole design process.

We're not aware of the extent to which individual brands focus specifically on the portion - or the ability to recycle particular components as being a major contributor in the design process. I would rather feel as a personal view that it would be the other way around, that the design, the development, the technical innovation is largely driven by the transportation needs and the needs of the customer in the first instance whilst not ignoring the other significant issues I've just mentioned.

I don't know that one could draw a direct comparison and say that vehicle manufacturers today are specifically focussed in any significant way on the recycling issues other than to clearly identify that recycling is a factor within the industry internationally. There is clearly benefits in being able to reuse certain components of vehicles time and time again as it fundamentally provides a more efficient use of those components and therefore a more efficient come reduced cost of producing those new vehicles as they go forward. Now, Andrew may want to perhaps add something to that so - - -

**MR McKELLAR:** I think that pretty largely covers it. It is a consideration in the design process and it may well be that there is a role of government, I guess, working with all the stakeholders through the supply chain as part of a comprehensive product stewardship arrangement to ensure that at each stage there is an appropriate



balancing of responsibilities and understanding as to the end environmental impact that end of life products have such as vehicles. Where that extends from the point of view of an informational role and a partnering role and an awareness role into a more defined regulatory responsibility, I guess, is sometimes unclear. Only because, as Peter has reflected, the environmental considerations, the end of life considerations are one and the recycling considerations are one aspect that motor vehicle producers have to take account of along with a whole range of others including the fuel economy and emissions, performance of vehicles and very importantly obviously the safety implications of vehicles and you see that with new models coming to the market place.

Currently very often there is a balancing in terms of the weight and fuel economy capabilities of new models coming into the market balanced against the increasing trend in terms of safety specification bringing into play specifications like all wheel drive and electronic stability control and so on. These are things that add weight back into the car, elsewhere the manufacturers are obviously trying to take weight out of the car as well as to design recyclability into various components to enable or facilitate recycling at end of life use. So it's a balance of all of those considerations. The role of government, I think, is one to ensure that the recyclability, reusability aspect is one consideration that is appropriately reflected in the design process but how that's - - -

**MR WEICKHARDT:** Do you think that signal is getting through effectively? If there were a problem - this is a hypothetical, but if there were a problem in Australia of recycling parts of a car, all of a car, components of a car do you believe that those signals and the mechanisms exist for those signals to get back to the product designers?

**MR McKELLAR:** I think we are part very much of a global industry and around the world there are varying approaches to this which have been adopted, some probably more heavy handed than others. Clearly, you know, the European industry faces particular imperatives in that regard and it is a big part of the global industry so the consequences of that are reflected within Australia. In a policy and a regulatory sense I think it's probably fair to say it is earlier days, nonetheless there are partnerships in place where those sorts of considerations are being looked at and being worked through.

At the moment in particular we can cite one with the Victorian government where there's a plastics recycling initiative which is under way, there is involvement there from a number of the local manufacturers who are participating in that. There is a significant plastics component, as you say, in vehicles today and clearly those manufacturers are working with other stakeholders in the industry and the Victorian government to identify how they can best facilitate the reuse, recycling, reclamation of those sorts of components from the vehicle at end of life in a cost effective

manner.

**MR WEICKHARDT:** Okay. Finally, just to clarify, in any of the experiences - back on tyres - of schemes that try to address these issues of disposal, are any of the schemes that you're aware of advanced deposit schemes where there is an up front charge on a new vehicle that partly reflects the costs of disposing or recycling the tyres?

**MR McKELLAR:** Not that I'm aware of in the nature of what has been proposed in the context of the agreement here in Australia. That's, to my knowledge, the only scheme of its type which I've seen. As I say, certainly overwhelmingly our understanding of schemes which are administered on a state basis in the United States, on a provincial basis in Canada and other schemes which operate in Europe where there are a range of different approaches - but, I guess, probably predominantly the bulk of them are market based approaches and operate at a consumer retail level. That would be, I guess, the majority of approaches but I'm not aware of any others that work exactly on the basis of an advanced recycling fee that would be levied at the manufacturer or importer level as is proposed in this case.

**MR WEICKHARDT:** I'd sort of assume that the Germans would have had a scheme of that sort.

**MR McKELLAR:** Well, they do have arrangements in Germany. My recollection is that it is at the consumer level and it's a more market based approach as it is in the UK. There are other approaches in Europe, some are tax based, some are a more regulatory based approach but I'm not aware even within Europe of other approaches where the fee is levied further up the supply chain at the producer level. Clearly those schemes and arrangements in Europe do see some responsibility at the producer level to contribute to the process but not that I'm aware of through the levy of a fee at that point in the supply chain.

**MR WEICKHARDT:** Okay. Thank you very much indeed.

**MR McKELLAR:** Thank you.

**MR WEICKHARDT:** Thank you for your appearance. Okay. Ladies and gentlemen, that concludes today's scheduled proceedings. For the record, is there anyone else who wants to appear today before the commission? In that case I adjourn these proceedings and the hearings will resume tomorrow in Melbourne.

AT 3.08 AM THE INQUIRY WAS ADJOURNED UNTIL  
TUESDAY, 1 AUGUST 2006

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