



Environment and Energy

**THE AUSTRALIAN INDUSTRY GROUP SUBMISSION TO
WASTE POLICY REVIEW**

MAY 2012

Australian Industry Group

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1. Introducing the Australian Industry Group

The Australian Industry Group (Ai Group) welcomes the opportunity to make this submission in response to the Waste Policy Review. This submission draws on the issues raised during the industry consultation session conducted at Ai Group on 19 March, which was attended by some 50 industry representatives. In addition Ai Group has held discussions directly with the Review Secretariat.

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses which we represent employ more than 1 million employees.

Ai Group is committed to helping Australian industry with a focus on building competitive and sustainable industries through global integration, skills development, productive and flexible workplace relations, infrastructure development; innovation; and uptake of resource efficiency. We provide practical information, advice and assistance to help members run their businesses more effectively.

Ai Group members operate small, medium and large businesses across a range of industries. Ai Group is closely affiliated with more than 50 other employer groups in Australia alone and directly manages a number of those organisations.

2. Economic context

The current review is being undertaken against a back drop of a weakening global economy and heightened uncertainty about the economic outlook. Although the Australian economy has performed relatively better than most other developed economies, our economic growth remains lopsided. Many businesses, especially manufacturers not supplying to the mining industry, are having their competitiveness eroded by factors such as higher interest rates, the stronger Australian dollar and rising costs generally. Ai Group's fourth national CEO survey of business expectations showed that business expectations of activity levels and profit margins in 2012 are weaker than their expectations were for 2011.

The latest seasonally adjusted Australian Industry Group – PwC Australian Performance of Manufacturing Index (Australian PMI®) reveals that the latest Australian Industry Group – PwC Australian Performance of Manufacturing Index (Australian PMI®) reports manufacturing was sharply weaker in April, falling 5.6 points to 43.9 in the month (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease). Only two of the 12 subsectors recorded an expansion in activity: Paper, printing and publishing (59.2) and construction materials (64.3).

The strong Australian dollar, softer demand, import competition and the impending carbon tax were once again cited as factors affecting manufacturing growth. The new orders index was 6.2 points weaker at 42.0 in April. While wages (58.3) and input costs (60.9) continued to rise in the month, selling prices (44.3) continued to decline as evidence of further narrowing of manufacturer's profit margins.

The national construction sector has now been in the red for almost two straight years with the April Australian Industry Group Australian Performance of Construction Index (Australian PCI®) revealing that the sector remained in negative territory for the 23rd consecutive month.

Data from the US Bureau of Labour Statistics reveals that the cost competitiveness of Australia's manufacturing industry has declined significantly over the last decade. Consequently, Australian manufacturers have found it challenging to compete against businesses from developed economies and low cost manufacturing bases, such as China and India, in both the Australian and overseas markets.

The cost competitiveness of the Victorian economy has deteriorated relative to the other states, reflecting strong growth in labour costs and weak labour productivity growth. Further, businesses in Victoria are inhibited by a State tax structure that is inefficient and does not promote international competitiveness.

3. Waste management in Victoria

3. How much effort should we put into waste avoidance, compared to waste recovery?

Ai Group considers that waste management in Victoria should be underpinned by assessment of net community benefits which enables waste management to be undertaken at that point in the value chain where it can most efficiently be discharged. This approach should be underpinned by the waste hierarchy and complemented by provision of targeted support for industry. This preferred approach is explored further in the subsequent sections.

4. Developing a new direction for waste management

10. *What is your vision for waste management in Victoria? What are your needs and expectations for waste management in Victoria?*
11. *What are the important ideas and outcomes that policy objectives need to include in the development of waste policy?*
12. *What ideas should be addressed by decision-making principles?*
13. *Should the waste hierarchy, or a cost-benefit analysis of the environment, economic and health and well-being impacts, be used in decision-making?*
14. *What targets and performance measures could be used to measure and evaluate our success in achieving our policy objectives?*

Ai Group supports implementation of nationally consistent and cost effective approaches to waste management which do not impose onerous regulatory compliance burdens on industry. A waste policy framework is required which facilitates development of flexible, tailored policy settings underpinned by a clear cost benefit approach and informed by the waste hierarchy.

Such a framework must address improved coordination of policies to avoid unintended environmental impacts. For example, energy efficient appliances can be optimized by the use of materials that are difficult to recycle and have low value once processed. The design of these products can complicate disassembly for recycling and resource recovery.

In addition, planning laws frequently make it difficult or impossible to establish modern landfills or energy recovery facilities. Initiatives to promote improved community understanding of the issues

and confidence in the regulatory framework may be of assistance in addressing local concerns and balancing economic and environmental factors.

Increased emphasis must also be placed on approaches to supporting infrastructure and markets for diverted material. Banning disposal of materials to landfill will not in itself generate investment in collection and processing facilities in the absence of alternative uses and viable markets for the diverted material.

Ai Group advocates a move towards a net community benefits approach which is responsive to the real – and changing – costs and benefits of waste and which enables responsibility for dealing with waste to be placed where it can most efficiently be discharged – a calculation that would differ substantially between different sectors and product categories. Such an approach should include recognition of the strategic role of modern landfills and advanced energy recovery facilities in the waste infrastructure.

Global economic conditions have a significant impact on prices for recycled materials and the viability of recycling. Recycling can be enhanced through provision of better information about the high quality and performance of recycled materials, and through reform of remaining regulations and product specifications that require use of virgin materials. For more marginal products, recycling may never be viable on purely commercial terms. It is critical that any policy initiatives to address these instances is based on a cost benefit analysis and allocates cost burdens fairly and transparently.

Ai Group does not support further increases in the waste levy which alone may do little to establish the infrastructure and markets needed to make diversion of wastes sustainable. Further, substantially differing landfill levies between jurisdictions, and between urban and regional areas within jurisdictions, may create perverse incentives to transport waste further than is efficient. Revenue generated from waste levies should be directed towards provision to businesses of technical advice and support in reducing their waste, from product design, through to identification of recycling and reuse opportunities. Increased emphasis needs to be placed on development of supporting infrastructure and markets for diverted material.

While the current review does not extend to prescribed industrial waste (PIW), Ai Group nonetheless notes here our view that that remaining funds and future revenue generated by the ongoing application of the Hazardous Waste Levy should continue to be available to the manufacturing sector to reduce the generation of PIW and the quantity of hazardous waste disposed to landfill.

The HazWaste Fund is funded through the Hazardous Waste Levy which is currently \$250 per tonne for Category B waste and \$70 per tonne for Category C PIW. Ai Group is concerned that re-direction of remaining funds to contaminated site issues at the close of the program or to consolidated revenue will not address the cost impact of the Hazardous Waste Levy nor further the objective of sustainable improvements in disposal of PIW. In the period 2007-08 to 2009-10 the HazWaste Fund contributed to a 67% reduction in manufacturing PIW disposed to landfill.

The success of the waste policy framework should be assessed in terms of its achievements against key deliverables. The strategic framework should clearly articulate key objectives and how achievement of these objectives will be measured. In addition, progress monitoring and evaluation should be incorporated into implementation planning, delivery and post completion phases. It will also be important to measure the reach of programs, including measuring industry engagement in initiatives.

Ai Group concurs with the views expressed by the Auditor-General (p19) that targets should be:

- Underpinned by robust assessments
- Evidence-based
- Based on a clear and well documented rationale
- Acknowledged as relevant and appropriate by those responsible for implementing them
- Reasonably achievable within the timeframes set

In addition, there should be clear linkages between initiatives undertaken and the overarching targets and the respective responsibilities of each of the relevant agencies in achievement of such targets.

5. Achieving our vision for waste

15. *Are there significant, ongoing market failures and barriers that require government to intervene in waste management activities? If so, what is the role of state government in responding to these failures?*

Ai Group research has identified an important role for the Government in the provision of targeted services to assist small and medium sized enterprises to identify and implement sustainable solutions in their operations; and access practical information on processes for identification, assessment and implementation of innovative solutions and investment in resource and carbon efficiency initiatives, including across supply chains.

The Ai Group report, *Environmental Sustainability and Industry, Road to a Sustainable Future* identified that 54 per cent of firms had no staff with environment responsibilities. In addition, Ai Group's *Emerging Technologies Project Report* found that only 16.4 per cent of companies consider that their employees have the necessary skills to take advantage of emerging technologies. The lack of environment and technical skills severely limits the ability of businesses to identify opportunities to identify and implement opportunities for improved environmental management.

Ai Group's *Environmental Sustainability and Industry, Road to a Sustainable Future* report identified that less than 20 per cent of companies gave consideration to lifecycle environment impacts of products for all or most of their new products, with 46 per cent making no assessment and a further 22 per cent unaware of whether their company undertook such assessments. The report further identified that more than 70 per cent of businesses did not engage their suppliers to assess the impact of their products on the environment with a further 7 per cent unable to comment.

Ai Group believes that business requires leadership and support from an environmental sustainability agency such as Sustainability Victoria, with a strong focus on:

- Promoting the uptake of sustainable business solutions by small and medium sized enterprises;
- Accelerating the uptake of energy efficiency; and
- Working with supply chains.

Evidence suggests that individual companies often find it difficult to pursue a supply chain approach to environmental management. The successful Ai Group and Sustainability Victoria Resource Smart Industry Pilot Project provides a model for delivery of resource efficiency (water, waste, energy/carbon efficiency) programs across supply chains.

An important role exists for industry associations in informing and delivering policies and programs. For example, evaluation of the ResourceSmart Industry Pilot Program concluded that delivery of the project via an industry association was key to industry signing on to the initiative.

The recent review of Sustainability Victoria will help to improve the transparency and accessibility of funding available from the agency. Industry is keen to increase its understanding of the scope and objectives of funding programs and how it can best access the support that is available.

- 18 *How can the State Government provide the right policy environment to support good investments?*
- 19 *What is the role for State Government in working with industry and local government to achieve efficient and effective investment?*
- 22 *What market based instruments might Victoria use to get maximum value from waste generation and recovery?*

The Australian Packaging Covenant (APC) is a positive example of what can be achieved through cooperative industry/government approaches. Ai Group is a signatory to and strong supporter of the APC, which focuses on addressing the environmental impacts of packaging across its lifecycle, unlike container deposit schemes which focus on post consumption impacts. Under the APC all parties in the packaging supply chain and all levels of government are committed to the sustainable design, use and recovery of packaging, by encouraging improvements in packaging design, higher recycling rates and better stewardship of packaging. Key objectives of the APC include improving away from home recycling and addressing litter. Signatories to the APC include Federal, State, Territory and Local Governments and organisations in the packaging supply chain.

The co-regulatory approach of the APC has attracted international attention as a highly innovative and cost effective initiative for addressing the environmental impacts of packaging. In 2011, the APC reported overall Recycling Rate of 63.1% for post-consumer packaging in Australia in 2011, up from the 39% baseline established in 2003. The APC is committed to achieving a 70% recycling rate by 2015.

Ai Group is an opponent of mandatory deposit schemes. The Packaging Impacts Regulation Impact Statement (RIS) issued by the COAG Standing Council on Environment and Water found mandatory container deposit schemes to be the highest cost options and have the lowest benefit cost ratio of all options to address packaging waste. The costs of the two CDS options examined are estimated to be between \$4.4 billion to \$4.73 billion.

Research undertaken for the former Environment Protection and Heritage Council also found that CDS was the least cost effective of the options examined to address beverage container waste, with national cost of \$680 million per year (\$2040 per tonne collected compared to an average of \$500 per tonne for all other alternatives.)

In evidence to the Standing Committee on Environment and Planning Legislation Committee, the EPA put the cost of running a CDS in Victoria at \$30 million. The annual cost of running the South Australian CDS is estimated at more than \$12 million.

CDS competes with kerbside recycling for the same containers, with 40% of CDS recovery starting out in recycling bins. In effect, these containers are collected twice, while households cover the cost of kerbside recycling collections and the cost of operating a container deposit scheme. Participation rates for kerbside recycling are above 90%.

Arguments by advocates of CDS that they are the most effective means of addressing litter are not supported by the results of the Keep Australia Beautiful National Litter Index Annual Report

2010/2011 which showed that Victoria has performed significantly better than South Australia on litter since 2007/08.

CDS focuses on recovery of materials but not recycling and end use markets. Victoria, without a container deposit system, recycles 24kg more packaging per capita per year than South Australia. Further, CDS focuses on beverage containers only. CDS recovers only 20% of total packaging in South Australia.

A CDS would likely increase the price of beverages at the point of sale, potentially impacting on sales and reduce beverage companies' profits. There could be flow on effects for workers employed in the beverage manufacturing and ancillary industries (freight, retail, etc.).

Introduction of a CDS would undermine the success of the APC which currently has over 700 signatories of which the food and beverage industry account for over one third. It is unlikely that this sector would continue its current level of participation in the APC following introduction of a CDS, which would have significant implications for future APC initiatives.

Further, as noted above, Ai Group does not support further increases in the waste levy which alone may do little to establish the infrastructure and markets needed to make diversion of wastes sustainable. Further, substantially differing landfill levies between jurisdictions, and between urban and regional areas within jurisdictions, may create perverse incentives to transport waste further than is efficient.

- 23 *What are the major opportunities to reform waste regulation to better protect the environment and reduce red tape?*
- 24 *Should infrastructure planning for each waste sector be improved?*
- 26 *How can links between infrastructure planning and approvals processes be improved?*
- 27 *Does the current Victorian land-use planning framework adequately facilitate the establishment of innovative waste processing technologies?*
- 28 *Has enough been done to clarify roles and responsibilities?*

Ai Group has recently surveyed business CEOs regarding the impact of business regulation on their operations. The survey shows that despite all the efforts on regulatory reform by governments in recent years, the compliance burden associated with business regulation is rising, not falling. The average Australian business deals with 8 regulators in a given year and spends close to 4 per cent of their average annual expenses complying with regulatory requirements. Around 20 per cent of these regulatory requirements are deemed by business to be unnecessary.

The survey results for Victoria indicate that Victorian businesses spend an average of 12 hours per week complying with regulatory requirements and spend 5.6 per cent of their annual expenses on outsourcing costs and fees and charges related to government regulation. While these results are better than the national average, close to 70 per cent of Australian businesses report that the direct costs of business regulation has increased over the past three years, and that they expect regulation to increase further over the next three years.

There are a number of actions the Victorian Government can take to address business regulatory compliance costs relevant to waste:

- Reduce the frequency of business regulatory reporting requirements to a minimum and establish reliable electronic and web-based regulatory reporting for businesses.

- Minimise the required number of approvals needed for projects and execute approval processes concurrently.
- Integrate and rationalise approvals for all projects by creating an approvals committee with the authority to issue all relevant approvals.
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- Work with local government to reduce duplication of regulation across local government boundaries (planning regulations for example) and across State borders.
- Review the Victorian Government programs related to reducing the regulatory burden, including ensuring methodologies for measuring the impacts of their regulatory reform initiatives are sound and more importantly, measure whether there has been a net decline in the regulatory burden being imposed on businesses. The Victorian Department of Treasury and Finance has produced some impressive monetary estimates of the regulatory burden reductions achieved but responses to the Ai Group survey on business regulation suggests these have not translated to tangible benefits ‘on the ground’ for many businesses, particularly small businesses.
- The Victorian Government also needs to consider how regulatory agencies interact with the business community with respect to regulatory changes and proposals. Consultation is crucial and should continue but governments need to invest in more efficient and less onerous consultation processes which do not impose an additional burden on businesses. Incorporating a ‘consultation’ regulation impact statement in the regulation making process as well as monitoring and reporting on the quality of consultation are worth considering at all levels of government.
- The Victorian Government’s planning policy must provide certainty to industry around siting and approval of waste to energy facilities.
- Landfill has an ongoing role in waste management. There is an important role for Government in ensuring appropriate planning for landfill and buffer areas in zones readily accessible to manufacturing activities and
- Ai Group recognises that the National Waste Strategy will address issues of harmonisation of waste regulation. However, opportunity exists for Victoria and NSW to accelerate the reform process by moving to address lack of consistency across the jurisdictions. Particular issues of concern include:
 - Incompatibility between interstate prescribed waste transport electronic tracking systems with the result that separate approvals must be sought from each state including the home state
 - Lack of common definitions, technical terms, conversion factors
 - Different processes for obtaining approval for waste recycling and reuse practices between states

29 *How can decision making by agencies be better coordinated?*

30 *What opportunities may arise from the national policy agenda? What problems might need to be managed?*

Ai Group supports development of decision-making principles to improve the consistency of decisions across the various arms of government. As noted in the discussion paper (p18) “A common decision-making framework could help promote integrated decision-making that would increase the overall efficiency and effectiveness of the waste management system.” Such a framework should provide clarity and certainty to industry in relation to the siting and approval of waste to energy facilities.

Ai Group reiterates our support for a Victorian waste management framework that is consistent with a national waste policy framework founded on achievement of net community benefits. Within a national framework there is a role for national product stewardship schemes in circumstances where detailed cost benefit analysis confirms firstly, that there is a genuine market failure causing significant harm that cannot be efficiently addressed by other means; and secondly, the necessary conditions exist for a national scheme to be effective. A key objective of the national product stewardship framework is to avoid conflict and duplication between federal, state and territory legislation. The Regulation Impact Statement for the National Waste Policy estimated the cost to the economy of the states pursuing their own product stewardship schemes at between \$121m and \$414m above business as usual and the net saving to the economy of a national approach at \$147m over 20 years. Introduction of multiple incompatible state-based schemes must be avoided.

33 What types of information and facilitation could help businesses increase productivity through waste avoidance and recovery?

To increase the identification and uptake of waste avoidance and implementation of sustainable waste management and resource recovery practices will require provision to industry of technical advice and support in reducing their waste, from product design, through to identification of recycling and reuse opportunities.

Ai Group would welcome the opportunity to work closely with the Victorian Government in shaping waste policies, and delivery of practical advice and assistance to industry to reduce waste to landfill, including sectoral approaches. The former Ai Group and EPA Victoria Sustainability Covenant is one model for the collaborative delivery of projects to explore cost-effective and resource-efficient options for industrial waste, to reduce quantities of material going to landfill disposal.

Ai Group proposes introduction of a program to support the transition of supply chains towards waste avoidance, minimization and reuse in key industry sub-sectors. By considering environmental impacts across supply chains this approach can ultimately enable businesses to make more informed and better decisions in product manufacturing, purchasing, distribution and product development.

The benefits of this proposed approach would include:

- Increased resources for industry and supply chains to identify and implement waste avoidance, resource efficiency and waste management opportunities
- Identification of opportunities for improved recycling for companies (that may lead to improved recycling rates)
- Companies assisted to identify funding opportunities for waste avoidance, minimization and reuse (including accessing project funding)

As stated above, there should be clear linkages between initiatives undertaken and the overarching waste targets and the respective responsibilities of each of the relevant agencies in achievement of such targets.

6. Conclusion

Ai Group supports implementation of nationally consistent and cost effective approaches to waste management which do not impose onerous regulatory compliance burdens on industry. A waste policy framework is required which facilitates development of flexible, tailored policy settings underpinned by a clear cost benefit approach and informed by the waste hierarchy. Ai Group does

not support an increase in the waste levy. Application of or increase in levies alone may in effect do little to establish the infrastructure and markets needed to make diversion of wastes sustainable.

Businesses require technical advice and support in reducing their waste, from product design, through to identification of recycling and reuse opportunities. Consistent, accurate and up-to-date information on what can and cannot be recycled will help manage all waste streams more effectively. Increased emphasis needs to be placed on development of supporting infrastructure and markets for diverted material.

Ai Group would welcome the opportunity to work with the Waste Policy Review Team in facilitating further consultations on the Waste Policy Review once proposed options have been developed. It is essential that options are discussed key stakeholders so that they can be tested and refined.