



Environment and Energy

**THE AUSTRALIAN INDUSTRY GROUP
SUBMISSION TO THE WASTE AND ENVIRONMENT
LEVY REVIEW**

APRIL 2012

Australian Industry Group

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1. Introduction

The Australian Industry Group (Ai Group) welcomes the opportunity to provide input to the review of the waste and environment levy.

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 supports implementation of a waste policy framework 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 further increases in the waste and environment levy which alone may in effect do little to establish the infrastructure and markets needed to make diversion of wastes sustainable. The waste policy framework must also address the needs of business for technical advice and support to reduce waste and on development of supporting infrastructure and markets for diverted material.

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 businesses' 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 manufacturing sector moved into negative territory in March as the strong Australian dollar and softer demand continued to affect growth in the sector. The PMI fell 1.8 points to 49.5 in March (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease).

Weak trading conditions kept the services sector in the red in March according to the latest Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (Australian PSI®). The monthly index was relatively unchanged, up 0.3 to 47.0.

The national construction sector has now been in the red for almost two straight years with the March Australian Industry Group Australian Performance of Construction Index (Australian PCI®) revealing that the sector remained in negative territory for the 22nd 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.

3. Level of the waste levy

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.

Existing costs pressures on business will be exacerbated by the increases in the levy already in train, as a result of which:

- In the Sydney metropolitan area (SMA) the levy will increase at a rate of \$10 per tonne per year until 2015-16
- In the extended regulated area (ERA) the levy will increase by an additional \$11.50 per tonne per year until 2013-14 when the SMA and ERA will reach parity, from which time the increase for the ERA will also be at a rate of \$10 per year.
- In the regional regulated area (RRA) the levy will increase at a rate of \$10 per tonne per year until 2015-16.

4. Preferred policy approach

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, recovery. 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. 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 supports 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.

4.1. Removing barriers to improving recycling performance

The *Reducing Waste: Implementation Strategy 2011-2012* shows that NSW has made significant progress towards achievement of waste targets.

Table 1. Progress towards recycling targets

Waste sector	2000 baseline	2002-03	2004-05	2006-07	2008-09	2014 target
Municipal	26%	30%	33%	38%	44%	66%
C&I	28%	34%	38%	44%	52%	63%
C&D	65%	64%	62%	67%	73%	76%
Overall	–	45%	46%	52%	59%	n/a
Total number of tonnes recycled (millions)	–	5.3	6.0	8.0	9.5	n/a

Many of the strategies outlined in *Reducing Waste* to achieve Focus Area 2: Making it easier for businesses to separate and recover their waste, remain highly relevant including:

- Encouraging businesses to move to best practice systems of source separated materials and/or alternative waste treatment
- Facilitating the provision of kerbside collection services to isolated C&I businesses
- Investigating development of place-based or precinct solutions
- planning guidelines requiring best practice waste infrastructure to increase resource recovery from new or renovated large commercial facilities
- Targeted education, communication and partnerships to improve waste avoidance and resource recovery by businesses
- Allocation of funding facilitate businesses moving to best practice waste management with a priority to establish resource recovery infrastructure
- Supporting the development of new facilities to maximise recovery of materials from mixed C&I wastes.

4.2. Provision of practical assistance to businesses

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 NSW 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)

5. 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 and environment 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.