



The Australian Industry Group
51 Walker Street
North Sydney NSW 2060
PO Box 289
North Sydney NSW 2059
Australia
ABN 76 369 958 788

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Department of Planning, Industry and Environment
Locked Bag 5022
Parramatta NSW 2124

By email: 20YWS@dpie.nsw.gov.au

Dear Sir/Madam

The Future of Waste and Resource Recovery in NSW (NSW 20-Year Waste Strategy)

The Australian Industry Group (Ai Group) welcomes the opportunity to make a submission on the NSW 20-Year Waste Strategy and commends the government for acting on an issue that is very important for business and the community.

The Australian Industry Group (Ai Group) is a peak national employer association representing and connecting thousands of businesses in a variety of industries and sectors across Australia. Our membership and affiliates include private sector employers large and small from more than 60,000 businesses employing over 1 million staff. Ai Group promotes industry development, jobs growth and stronger Australian communities. Our members have a common interest in creating more competitive businesses and a stronger economic environment.

Ai Group are broadly supportive of the vision outlined and agree that NSW should strive for a waste system that is sustainable, reliable, affordable and helps to realise a circular economy. But this is a tough challenge, made tougher by Australia's unique market and geographic conditions. No single policy process is likely to achieve this vision, and any waste strategy should include a mechanism for continuous review and improvement to remain relevant and responsive to changing technologies and market needs. It should also consider national commitments, and the benefits of harmonising between states where possible.

Finally, before addressing the directions and options discussed in this paper, we must acknowledge the context in which this consultation is taking place. COVID-19 has caused unprecedented disruption to Australian industry and resources are stretched thin, making meaningful consultation on business as usual matters understandably harder to achieve. NSW should provide more opportunities for consultation during 2020 and exercise caution when it comes to timeframes, which must account for the significant disruption COVID-19 has had to local operations as well as international supply chains in all sectors.

Direction 1: Generate less waste

Option 1.1: State-wide targets

Ai Group support state-wide targets where designed to support commitment to the National Waste Policy Action Plan. Additional ambition is positive, but NSW specific targets would be most meaningful within an overarching resource recovery goal that reaffirms the targets in the National Waste Plan (NWP). Should NSW set recycling goals beyond the NWP targets, it



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would be useful to confirm that the remaining balance of any unrecycled materials in NSW should be recovered for energy or other resources, consistent with the waste hierarchy, up to the overall resource recovery goal. In short, a plan for what is done with waste that falls outside of target is just as important as the target itself.

With respect to greenhouse gas emissions reduction, the waste sector has made great strides over the past decade to address its direct emissions through the capture and combustion of methane from landfills and sewage systems. Future opportunities to contribute to the transition to net zero emissions across the economy will be different. Reuse, recycling and recovery of materials that are emissions-intensive to produce, and/or which sequester significant amounts of atmospheric carbon, is a critical element of net-zero pathways for some of our hardest to decarbonise activities. The relationship of waste-to-energy to emissions goals, potentially coupled with carbon capture and storage, also needs strong consideration; depending on how waste-to-energy is implemented, it could be anything from a significant emissions source to a substantial net sink. The Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C advised that of the assessed scenarios for achieving this, nearly all involved very large use of negative emissions technologies (NETs), in addition to deep emissions reductions, by 2050. Potential technologies include massive reforestation (with large but still limited potential), direct air capture and storage or durable utilisation (with very large energy inputs) or bioenergy with carbon capture and storage or durable utilisation (noting limits on the biomass that is sustainably producible without compromising food production or priority ecosystems). If NETs are to be used on such a scale, and if carbon capture and storage from combustion of bio-derived waste is to be part of this, jurisdictions like NSW would be expected to host such activities towards the end of the 20 year waste strategy period. However, the policy, technological and market uncertainties involved are presently large, making numerical targets for these efforts currently inappropriate. Instead, NSW should seek to quantify the emissions reduction potential from recycling and resource recovery, including waste to energy; and consider targeting development of pilot projects over the initial phases of the strategy to inform refined targets and policy subsequently.

Option 1.2: Designing out waste

Ai Group support designing out waste where possible through *national* channels, such as Standards Australia, the Australian Packaging Covenant Organisation (APCO) and other Product Stewardship schemes. We do not support fragmenting the standards landscape by introducing NSW-only design standards or mandatory extended producer responsibility at a state level. NSW should consider the practicality of trying to implement standards and schemes of this type in one state only, and the increased costs this will impose on both business and the state. Instead, NSW should consider taking a leading role in advocating for designing out waste and enhanced producer responsibility at a coordinated and national level.

Initiating progress towards better design at a local level is sensible and could be achieved through positive incentives for producers and retailers to integrate waste disposal and environmental costs into their decision making. This would complement our suggestion that NSW should consider taking a leading role in advocating for better design nationally and offers the state an opportunity to lead the country in best practice design.

Driving uptake of materials and products with lower lifecycle emissions is also something that is better addressed through a combination of State incentives and State leadership in the shaping of national standards and harmonised policies. It should be noted that lifecycle emissions are complex to calculate, extremely context-dependent and subject to change as technology, markets, policy and science evolve. If policy uses regulatory instruments, their settings need regular review. Price instruments can ideally approach dynamic efficiency, internalising the

costs of embodied and end-use emissions, though design and trade issues can mean that price signals do not flow effectively in practice.

Option 1.3: Awareness and behavioural change

Ai Group support NSW exploring opportunities for consumer and industry engagement programs to promote awareness and behavioural change, including rewards-based systems.

Option 1.4: Targets for government agencies

This is a matter for government consultation with impacted agencies.

Option 1.5: Regulatory safeguards

Ai Group do not have detailed comments on option 1.5 at this time.

Direction 2: Improve collection and sorting

Option 2.1: Recovering food and garden organics

Ai Group do not have detailed comments on option 2.1 at this time.

Option 2.2: Standardise collection systems for households and businesses

Ai Group accepts the finding that the standardisation of how waste is sorted at the source is likely to improve recovery outcomes. However, an across-the-board 'one size fits all' approach is unlikely to work due to various households and businesses having different needs such as space, pick-up frequency, infrastructure constraints, contamination levels and more. Further consultation should be undertaken with the waste industry *directly*, as they will have the greatest understanding of which, if any, households and businesses may be appropriate for standardised collection.

Option 2.3: Network-based waste drop off centres

Community recycling centres are an excellent way to increase rates of recycling and should be optimised. Communities need to be well educated about what waste drop off options are available to them, and waste drop off and community recycling centres should capture as many streams as possible. This will reduce community confusion and frustration about having to attend multiple locations to dispose of problem wastes. The City of Launceston in Tasmania recently opened an innovative community recycle hub which provides a central location for members of the community to drop off mobile phones, batteries, printer cartridges, small e-waste items, digital cameras, plastic terracycle packaging like toothpaste tubes, unwanted medical x-rays, plastic bread tags, aluminium coffee pods, CDs & DVDs, eye glasses and more¹. Projects like this are worthwhile, create value, reduce contamination, and should become the norm in major cities and regional centres.

¹ The City of Launceston, '[The Recycle Hub](#)' (2020)



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Option 2.4: Waste benchmarks for the commercial sector

Question 2.4 is largely a matter for NSW government consultation with agencies and the property industry. However, some Ai Group members are concerned that a mandatory requirement to apply the NABERS Waste Rating tool to commercial properties could undermine the efforts of some business types, particularly those with more substantial goals and investment in innovation. The Government should consult more extensively and specifically before moving beyond the present voluntary approach.

Option 2.5: Innovation and 'waste-tech'

Innovation is the gateway for turning waste from a problem into a product in a circular economy. Fortunately, NSW has a diverse, service driven economy² which is well placed to harness the strength of its knowledge-based business services to realise circular economy goals. Ai Group support NSW exploring options to enhance collaboration, research and commercialisation of waste technology.

Over \$1bn was cut from the Federal R&D tax incentive in 2019 which may prove to be a barrier for innovation and waste tech in NSW. NSW should consider how best to support businesses to engage in R&D through state-based programs and incentives, while advocating for better support at the Federal level.

Option 2.6: Joint local council procurement

Joint local council procurement may improve local government buying power and enable better outcomes for communities, however this will rely on the councils' willingness to work together, and, in some cases, compromise on requirements or desired outcomes. Collaboration and consensus between local governments is notoriously difficult to achieve, and the NSW government will likely need to work closely with councils to accomplish this.

Option 2.7: Combining commercial and industrial waste collection services

Opportunities and challenges of combining commercial and industrial streams

Combining collection could lead to contamination issues, compromising the recyclability of collected materials. Additionally, combining commercial and industrial streams will make it more challenging than it already is to collect valuable data about waste volumes across these streams.

If contamination and data collection issues and any other waste industry concerns could be resolved, Ai Group would find this option preferable to commercial waste zones.

Views on creating commercial waste zones

Commercial waste zones, where waste service providers compete for tenders to provide waste services to commercial buildings within pre-defined collection zones³ would create competitive concerns which need to be weighed against potential benefits. Open and competitive markets are generally acknowledged to best serve the public, but this system may only allow larger businesses to compete, all but forcing SMEs out of the market. This will likely lead to

² EPA NSW, '[Too Good to Waste: Circular Economy Discussion paper on a circular economy approach for NSW](#)' (2018)

³ Cleaning Up Our Act: The Future for Waste and Resource Recovery in NSW (2020), p.31

community and business experiencing less favourable outcomes in both pricing and choice over the long term, given each zone essentially becomes its own monopoly, with a distorted and uneven relationship between client and waste service provider.

This concern is not unfounded. The New York Commercial Waste Zones Bill referenced in the discussion paper has no proven track record, only passing in 2019 with customer transition planned from early 2020 to 2023⁴. The Bill was subject to controversy and accusations from some waste industry businesses and other stakeholders of poor consultation by government. A similar system was implemented in Los Angeles in 2017 which resulted in what the *Los Angeles Times* called a ‘trash monopoly that’s gouging customers⁵.’ Locally, the ACCC has already warned that growing consolidation in the waste industry means any future merger or acquisition involving large suppliers of waste management services will need to be closely investigated⁶. Though this is due, in part, to a decentralised market⁷, establishing waste zones may simply replace one market problem with another, more significant problem.

The commercial sector should be afforded the right to choose to contract with waste suppliers that meet their individual needs, rather than the lowest common denominator needs of a glut of businesses similar only in physical location. They should also have the right to contract with alternative providers if their needs are not met or their contractor does not provide the service that was promised.

Ai Group do not support commercial waste zones presently because there is not enough evidence that the benefits outweigh the damage they can cause. Substantial and *direct* consultation with the waste industry and their representatives is essential before progressing this idea any further.

Option 2.8: Economic incentives and the waste levy

Waste levy

NSW currently only returns one third of the waste levy collected back into the environment portfolio⁸. Local governments have expressed the view that not enough of the levy is reinvested and more should be done to support the circular economy in NSW. They argue that despite generating more waste than ever, household recycling and waste diversion rates are stagnating, the NSW waste strategy is taking too long, and existing regulation and procurement policies are hindering innovation and the development of new recycled products and markets⁹.

A shift to circular economy is a significant departure from the way NSW and the rest of the country operate and the government cannot reasonably expect a circular economy vision to be realised without significant investment. More of the levy should be returned to the portfolio to fund grants for infrastructure upgrades and other programs.

⁴ New York City Department of Sanitation, *Commercial Waste Zones: A Plan to Reform, Reroute, and Revitalize Private Carting in New York City* (2018), p.58

⁵ Los Angeles Times, ‘[Editorial: In its effort to go green, L.A. created a trash monopoly that’s gouging customers. They need to fix it](#)’ (2017)

⁶ The Australian Competition and Consumer Commission, ‘[ACCC will not oppose waste industry acquisition](#)’ (2018)

⁷ *Cleaning Up Our Act: The Future for Waste and Resource Recovery in NSW* (2020), p.23

⁸ *Ibid*, p.25

⁹ Local Government NSW, Media Release: ‘[NSW Government must invest more in recycled materials and re-use to drive down waste to landfill](#)’ (2020)



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Pay as you throw

'Pay as you throw' programs are worth considering as they create a financial incentive to reduce waste, however pricing structure will dictate some outcomes. Charging commercial and residential customers the same rate would not be fair because commercial waste is generally less contaminated (higher value) than household waste. While an even pricing mechanism may lead to industry avoiding *some* waste, given the removal of a financial incentive to provide clean waste, many players may no longer prioritise contamination reduction at the source.

Direction 3: Plan for the future of infrastructure

Ai Group support the case for action presented in the discussion paper and concur that the substantial planning challenges associated with new facilities and threats of urban encroachment on existing ones need to be addressed urgently.

Option 3.1: Long-term waste and resource recovery infrastructure needs

Ai Group do not have detailed comments on option 3.1 at this time.

Option 3.2: Place-based development

Ai Group are supportive of place-based development, but do not have further detailed comments on 3.2 at this time.

Option 3.3: Making it easier to do business

Streamlined, robust, durable and enduring planning and environmental frameworks are needed to support waste and resource recovery infrastructure and investment. Reviewing statutory instruments to ensure they are fit for purpose, making regulatory and compliance expectations clearer and simpler (particularly for complicated matters like Energy from Waste policy), simplifying regulatory communications and facilitating consistent dialogue between regulators and industry through a reference group would be positive steps and well received by industry.

Option 3.4: Innovative financing models

Ai Group do not have detailed comments on option 3.4 at this time.

Direction 4: Create end markets

Option 4.1: Recycled content in government procurement

Ai Group are supportive of increased government procurement of recycled content for state and local projects to stimulate markets and divert waste that can have a useful second life from landfill. Increasing recycled content as well as a strong commitment to sustainable procurement can contribute to avoiding waste, reducing costs and supporting the circular economy.



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Some key challenges in this area are likely to be outdated state-based standards or regulatory requirements that do not address or account for recycled inputs and the cost difference between recycled and virgin product, which can be significant.

Option 4.2: Standards for recycled content and materials

Roads, transport, pavements, landscaping and insulation are widely acknowledged to represent significant opportunity for greater use of recycled content, however industry have reported standards and regulatory barriers to greater use of these products. Focusing on these areas should be an immediate priority for government, followed by other areas of opportunity, such as packaging. Getting standards and regulatory settings right is critical in ensuring that quality fit for purpose recycled materials are not excluded from use due to unresponsive standards and regulatory frameworks. Additionally, standards are critical to community safety and should be acknowledged by government as such.

Ai Group are strong advocates of quality standards in Australia and have over 200 technical experts representing Ai Group on up to 400 Standards Australia committees. It is our view that technical standards should be Australia wide, and harmonised with international standards wherever possible. Fragmenting the standards landscape leads to confusion, non-compliance, additional cost to industry and higher prices and Ai Group do not support individual state-level standards (unless necessary for legislative purposes, or because there is no appropriate Australian standard). It is our view that NSW should consider liaising directly with Standards Australia on development and/or improvement of relevant standards.

In terms of packaging, NSW should work closely and harmonise with APCO, should they choose to mandate a target for packaging. A mandatory target for SMEs not otherwise captured by APCO will place additional financial and resourcing burden on these businesses. The NSW government will need to provide additional support, financial and otherwise, to address this and avoid squeezing smaller players out of the market or making manufacturing and selling of certain products less viable in NSW than other states and territories.

Option 4.3: Match suppliers with markets

Ai Group are supportive of nurturing platforms and methods through which suppliers can be better matched with markets, but do not have further detailed comments on 4.3 at this time.

Option 4.4: Best-practice regulatory environment for energy from waste projects

Ai Group do not have detailed comments on option 4.4 at this time.

Should you wish to discuss the matters raised in this submission, please contact our adviser Rachael Wilkinson on 03 9867 0225 or rachael.wilkinson@aigroup.com.au.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Peter Burn'.

Peter Burn, Head of Influence and Policy