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Assistant National Secretary
Greg McLean

Dear Sir,

Re: Removal Waste Collection Services

I am writing in respect of the Australian Government Productivity Commission draft report on **Waste Management. May 2006**

The Australian Services Union provides the attached preliminary response to the *DRAFT* report of the Productivity Commission and looks forward to an opportunity to address the report at a public hearing of the Commission.

The ASU would prefer to meet with the Inquiry in Sydney or Canberra. A written request to address the hearings has already been forwarded by separate cover.

Yours faithfully,

Greg McLean
Assistant National Secretary

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Response to the Productivity Commission Draft Report into Waste Management 2006

The Productivity Commission draft report published May 2006 requests responses in written format by Friday 7th July, 2006, the Australian Services Union therefore requests that the following Submission be considered in **response** to the issues raised in the draft Productivity Commission report, the ASU will look forward to providing **additional advice** at the time of appearance before the Productivity Commission Inquiry. The ASU has already made request to appear before the Commission.

The ASU, is Australia's largest Local Government Union with seven Local Government Branches of the Union throughout Australia who represent a myriad of Council employees, ranging from traditional outdoor Local Government workers through to administrative, para-professional, supervisory, recreation and so many more.

Local Government Branches of the Australian Services Union include:

- ★ Queensland Services Branch
Ground Floor
32 Peel Street
South Brisbane QLD 4101

David Smith - Branch Secretary

- ★ USU - NSW Branch
7th Floor
321 Pitt Street SYDNEY NSW 2000

Brian Harris - General Secretary

- ★ Victorian A&S Branch
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Darrell Cochrane - Branch Secretary
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- ★ South Australian/Northern Territory Branch
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- ★ Tasmanian Branch
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Sean Kelly - Branch Secretary

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Julie Bignell – Branch Secretary

- ★ Greg McLean - Assistant National Secretary
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Further information on the ASU can be located at website www.asu.asn.au - links to all Branches of the ASU throughout the Commonwealth can be found at that website.

Who are the ASU!

The Australian Services Union, represents over 80,000 workers throughout Australia in the Local Government Industry and related Sectors, our classifications include council Waste collection staff , street cleansing, waste collection contacts administrators, road gangs, child care workers, road construction and maintenance employees, engineers, architects, draughtsmen, council ordinance inspectors, beach inspectors, senior managers of council, cattle yard sales managers, roads and measures weights inspectors on country roads, Council Rangers and so many more classifications.

We are Australia's largest Local Government Union and best suited to comment on behalf of not only Local Government employees, but also their communities in which they live. The ASU has 19 Regional Offices and 8 Capital City Local Government Branches throughout Australia. We consider ourselves to be a truly community based Union committed to Regional jobs growth, suburban city growth and improvements in safe and secure communities throughout Australia.

We are committed to regional and city jobs growth in additional to services

As our society grows, our communities grow in population and demands upon and for additional services, ASU members provide these services and stand ready to assist the community, growth occurring in their local areas where the Australian population is growing. We are indeed a community service Union.

The ASU notes the key points of the Productivity Commission draft report includes the following (extract from xxii)

Key points

- Waste management policy should be guided by best practice approaches to policy development, namely that objectives are clarified; all expected costs and benefits of different options are considered; and the policy selected that gives the best return to the community.
- The focus of waste management policy has recently shifted from disposal externalities to upstream environmental issues. A more effective and efficient way of addressing these issues would be through direct policy intervention.
 - Waste management policy should focus on the environmental and social externalities associated with waste disposal, not upstream issues.

- The Commission does not favour any one method of waste disposal over others. Waste policy should be about achieving the best possible outcomes for the community, not prescribing one technical solution at the expense of others.
- States and Territories have adopted a range of policies to minimise waste and maximise recycling. Some aspire to eliminate waste altogether. This is unrealistic and can lead to perverse outcomes if recycling is pursued at any cost.
- Residual levels of externalities from modern, fully complying landfills appear to be small. Any further tightening of regulation would need to be carefully assessed, and preceded by better enforcement of existing regulations.
- Greenhouse gas externalities from landfill should only be addressed within a broad national response to greenhouse gas abatement.
- Getting prices for waste disposal right will help to reduce waste generation and achieve an appropriate balance between disposal and recycling. Basic forms of 'pay as you throw' pricing for municipal waste, such as charging for larger bins or more frequent services, should be more widely adopted.
- The case for using landfill levies to address externalities is weak. They should not be used to drive the achievement of arbitrary recycling targets nor as revenue raising devices.

- Mandatory schemes designed to place more responsibility for end of life disposal on producers should only be introduced where inappropriate disposal is likely to cause substantial externalities and intervention will produce net benefits.
- In large urban centres, scale and planning issues suggest (just as with sewage and electricity) that local governments are no longer the most appropriate authority to be managing waste issues.
- Waste management policy in Australia needs to be refocused. Policy makers and community attitudes need to be guided by open rigorous analysis of costs, benefits and risks, if waste management measures are to best serve the community.

The ASU has a number of concerns with the report including the following points –

References to the use of International Trade Agreements – such as the General Agreement on Trade in Services and/or bi-lateral Trade Agreements such as the US Australia Free Trade Agreement, could receive additional reference points in the report as it is highly likely that these styles of International Trade Agreements will have an impact on the Australian based industry and the way services providers, already we see in the report companies such as Veolia (Collex) exercising market share with other global waste companies also taking substantial interests.

Waste companies such as these will have opportunities to expand their operational jurisdictions as free trade and other agreements could be used to force a review and rethinking of waste collection arrangements at a State and local government level.

Indeed specific concern arises as to the current review being undertaken by the World Trade Organisation to have included “**necessity regulation**” that would be binding upon Local Government and State Government Authorities.

The ASU considers that waste reports such as the current review underway should give consideration to the landscape of the waste collection industries at a local and regional level and a global level, as they are likely to arise in the next 10 to 30 years.

We believe that strategic decisions need to be made by Australian Government Authorities, State Government and Local Government Authorities, based upon additional areas of impact, such as free trade and GATS agreements that are likely to have impact upon the industries futures.

Recycling

The ASU notes a substantial move towards recycling by local government instrumentalities working with state government and other authorities, we note that within the report at Point part 2 Waste Management in Australia, that the Commission relies quite heavily upon OECD data and acknowledges the comparisons on waste management experience in generation recycle and disposal across International borders can often be different due to a range of local variances.

It would seem appropriate for an increase focus on waste recycling at point of waste generation, with households being encouraged to minimise their waste collection through green waste recycling and paper plastic product etc. recycling – all of which should be removed from pure waste figures with waste being measured on the waste deposited to land fill, reprocessing or other non-recoverable and waste use.

Waste to Energy

The ASU notes that there are a number of ways in which waste to energy can be used either through direct reprocessing and heat, high heat, waste disposable

plants, however these are often viewed as sceptical issues by the community and the occasional scares rightly or wrongly on pollution causing agents.

Recent use of waste to gas for land fill to small electricity generation plants is seen as a means of utilising waste to energy and using a low carbon fuel, which would otherwise do environmental damage yet, providing safe efficient energy (electricity) to the local grid – it is noted should be gas from waste sites not the burnt as part of a recycling program of energy generation that the waste gases would be damaging to the environment. This disposable method is seen as safe and legitimate opportunity for re-use.

Institution, Regulatory and other Impediments

The ASU notes the transparencies that have been developed for the use of National Competition Policies to affect a range of industries in Australia, including that of commercial waste.

We note also that commercial companies such as Veolia (Collex) are developing their own land fill sites to provide a whole of chain waste disposal. Often the acquisition of land is a prohibitive cost to some organisations, thus organisations with existing structures in place and have provided long term commitments to the community such as WSN Environmental Solutions can be

seen having their costs structures spread over a greater period of time and therefore may be in a more competitive position than new entrants to the market.

Local Government

Local government has been a longstanding participant in waste services collection, recycling and disposal throughout Australia. Local government has been the provider of a range of services to the community including waste collection. Municipal Councils and Councils within the greater metropolitan areas of cities these days often find themselves part of the participative chain of waste recycling by household collection and delivery to transfer stations and/or land fill, the encouragement of green waste recycling and the encouragement of individual recycling plans for recyclable materials (glass, paper, plastics, etc.)

Local government is by far the best placed entity to continue managing waste collection services from the domestic household, small business and other ensuring a full complete cleansing service to the community.

It makes little sense to have a waste collection service provided to the community that does not require an emphasis on environment recycling waste and green product recycling. Local community pressure, local views and input, that force local creative considerations, can vary from one part of a state to another .

Comparisons with other Utilities

Comparisons with other utilities providers of telecommunications, electricity provisions and water (fresh water and waste water services) would seem inappropriate when considering the electricity and water industry networks stretch across a significant number of municipalities and urban council organisations as part of the legitimate network of these structures, and they always have .

Waste collection services usually are part of the waste and cleansing program at a local level where Councils can distinguish between calling for local tenders for the performance of some parts of the waste collection services in their areas or they have sought to continue to provide services via their own day labour services.

The provision of these services are based upon quality and service to the community and are a core responsibility of local government. Even though the report could have placed greater emphasis on combined efforts of Councils to achieve goals in working together, such as regional organisations of Councils do to undertake a wide ranging number of functions but yet provide local governance, quality control and operational standards to a community that they are in turn responsible to.

This assures local ownership of the provision of the service a quality consideration for provision to the community local ownership and control of an infrastructure service. Waste collection is not just part of a chain of collection of waste and services but also is part of a general standard of maintaining a **cleansing** environment to the community with a provision of not just waste collection services, but street sweeping machines and similar apparatus.

The report could call upon Local Government Authorities to band together and provide regional services to a community with local government having the choice of utilising land fill provided by State Governments or the private sector.

A full chain of waste collection and household waste through a whole of transport regime to one single land fill site under one company may not be in the best interest of competition.

Note Comparison to Electricity Industry

The Australian electricity industry has been built upon a competitive regime of electricity generation, separate to transmission separate to distribution and separate to retail providing competitive regimes throughout the market chain. The possibility of one company to providing the collection, transportation and land fill services for waste may not be in the best interests of competition.

The concerns expressed by Collex against the regime of WSN Environmental Services in NSW (the State Government own authority), may well be a similar comparison in the reasons not to allow a full electricity chain.

The ASU believes that greater concentration and greater competition may remain in the market if local government continues to provide the mainstream collection regime, noting businesses can still make a choice to utilise industrial waste disposable authorities, a separate organisation such as WSN Environmental Services or private tipping facilities allowing Councils access to land fill or collection sites.

In the future Councils may find their garbage is sought after by recycling and energy companies who may compete to purchase, operate joint ventures with local councils on energy disposable facilities, exchange green waste credits in the national electricity market and provide greater value to the local community through the disposable of waste.

Local Government also has a key responsibility to ensure its citizens make a distinguishing consideration between -

- recycling green waste on their own property,
- the collection of green waste for re-use in the community
- the re-use of recycled and recycling materials
- the ultimate decision for recoverable waste to be in turn in long term disposal.

The ASU notes that it is only relatively recent event for communities to be encouraged to recycle their waste products in separation of green, recyclable materials and pure waste, where it was previously considered efficient to have all waste products dumped collectively in a land fill, incinerated or another means of disposal.

Local government is in an ideal position to play an important role in encouraging recycling and environmental based issues at a local level at the first step of waste management with a decision then being made for the utilisation of waste products beyond recovery.

Industrial Waste

The ASU would question industrial waste removal providers, and ask if they are doing there bit for recycling and are business users as well.

Business users, including business users in metropolitan offices in Sydney and other cities are not providing significant choice with the encouragement of recycling in the business and industrial community. In fact municipal and local government authorities have provided better choices to the community's household and residential areas in recycling than the industrial providers have provided to business, in significant areas, such as city / commercial waste disposal.

There seems to be a number of issues that the commercial providers could learn from local government in attempts to reduce the waste and land fill by encouraging businesses and consumers in recycling, offering greater recycling opportunities for business, commercial, restaurant and major events.

Local government has an even stronger and more important role in waste management services by ensuring a greater response to the environmental needs and efficiency at a local level.

Comparison with the Electricity Industry – not appropriate !!!

Should certain aspects of the report be accepted and we move to an arrangement of whole management of the waste chain there appears there would be little choice. Competition such as has emerged in the electricity industry (as suggested in the report) is unlikely to occur in the waste collection industry, As electricity industry competition is at the retail level, for the consumer, and generation competition is limited to the retailers who purchase the electricity. A closer analogy to waste collection and the electricity industry is through the electricity network system were there is no competition – this would include a consideration of network establishment charges for both the electricity industry and the network establishment expenses of the waste collection chain ,;

Electricity industry retail competition is significantly cheaper and easier to resource as it does not on its own require a network , as the waste collection would do .

It could be contended that the electricity industry has brought about benefits to consumer not through private sector participation and competition – but rather through **Public Sector Reform**, as the great majority of the electricity industry remains in **public sector ownership**. It's also worth noting that the states with the cheapest electricity availability to consumers, and the two largest electricity consuming states remain in public sector ownership.

Its also worth noting that the churn rate is relatively low with consumers choosing to remain with the publicly owned utility company, and in states already privatised such as Victoria, consumers in some cases have decided to return to a public sector electricity company, by becoming a customer of a interstate electricity retailer that is publicly owned .

Reinvestment in the industry

Investment in the electricity industry as well as the public transport sector by the private sector has been an issue in the past, and without **regulation may** see less investment.

Environmental

In the past local government pursued the management of waste services as simply the disposal of a commodity and removing it from the community dumping at a waste location site and forgetting about it.

These days local government is required to participate more extensively in the environment side and management of waste, storm water services and a range of other issues, indeed local government is becoming the environmental benchmark arm for recycling and meeting the communities needs.

Close to the communities needs – that's local government

Local governments close proximity to the community and being readily responsible to the community on environmental issues is seen as a positive initiative and having local government continue to manage the environmental issues by balancing out waste collection and recycling, is seen as beneficial to the community.

Size of Local Councils

The issue of the size of a local government or its foot print and services offered to the community are all balancing issues - A **right** balance needs to be found

Some councils that have sought to gain by combining there resources on a range of activities might, consider this for the provision of local government waste services, through shared arrangements of purchase of capital equipment (in particular to suit the differing arraigments of local geography , as example Not all vehicles are suitable to the narrow streets of some parts of our cities and suburbs).

The use or regional organisations of councils in arrange of areas has been successful in a number of incidents – state governments could assist in these voluntary arrangements as well.

Choice in use of Tipping sites.

Local government can also have the choice of using traditional State managed waste disposal facilities, the private sector facilities or others.

A company that has a waste management chain may not be able to readily review its long term investment in infrastructure.

Additional information

**Please consider this as an initial response to the Productivity Commission
Draft Waste Management Report.**

The ASU looks forward to addressing the above issues and additional issues at the forth coming committee hearings.

Greg McLean

ASU - Assistant National Secretary