



Municipal Association of Victoria
Response

The Australian Government's Productivity
Commission Inquiry into Waste
Management - Draft Report – May 2006

July 2006

Introduction

The Municipal Association of Victoria (MAV) is the peak body for local government in the State of Victoria. Under the *Municipal Association Act 1907*, the MAV is required to represent all 79 local governments in the state.

The MAV welcomes the opportunity to provide a response to Australian Government's *Productivity Commission Inquiry into Waste Management - Draft Report - May 2006*. The MAV response comments on issues and recommendations raised that are relevant to local government.

Executive Summary

- The MAV strongly disagrees with the Productivity Commission's decision to alter the Terms of Reference to replace 'resource efficiency' with 'economic efficiency' as it limits the assessment of consequences, choices and benefits. The term resource efficiency implies maximising the use of resources, as per the waste hierarchy, yet keeping in mind other resource use. It also implies choosing the best option environmentally and socially. Economic efficiency implies getting the best financial return out of a unit of resource, whether that is human labor or a mineral resource.
- To focus on downstream mitigation only is a significantly regressive step. Waste and resource use policy needs to be applied upstream and downstream to maximise the positive environmental, social and economic impacts that policy can have.
- The MAV agrees broadly that there needs to be further cost-benefit assessment of all waste management and resource recovery options to allow communities to make appropriate choices. This assessment must be transparent and agreed to by all stakeholders.
- Local governments are well placed to assist communities to minimise waste generation and to make the most of available resources. Victorian local governments have demonstrated that they are open to working collaboratively with other local governments to achieve optimal waste management outcomes, as the move to Melbourne Metropolitan Waste Management Group attests.
- Victorian local government generally supports Victorian waste management policy and the assistance provided through Sustainability Victoria (formerly EcoRecycle) and EPA Victoria. The MAV would welcome further partnerships with these agencies and with industry.

MAV Response to Productivity Commission Draft Findings

Draft Finding 2.2 – International Comparisons

The MAV agrees that direct comparisons between Australia and international examples must be used with caution. Whilst Australia has a unique set of geographical, social and economic characteristics, it is, however, still useful to look at international examples to help build best-practice models for Australian conditions.

Draft Finding 4.2 – Energy-from-waste Treatment Options

The MAV believes that energy-from-waste, such as in cement production or in energy production, requires further exploration. In particular the economic and environmental benefits that these approaches may offer particular locations, such as rural and remote areas, needs attention. Community perceptions and current emissions technologies also require further investigation.

Draft Finding 4.3 and 4.4 – Landfill and Recycling Externalities

The MAV agrees that further exploration of all available, practicable resource recovery, waste treatment and waste disposal methods is required, with particular attention given to the regional contexts in which different approaches might be applied.

Draft Finding 5.1 – Government Intervention on Upstream Environmental Externalities

The MAV partially agrees with this finding. The Association agrees that waste-associated upstream environmental externalities should be dealt with in the first instance by directly targeted policies, which usually allow finer control, than coarser waste policies instruments such as waste levies. However, there is a need for continued waste policy in the area of sustainable consumption and resource efficiency. Policy intervention need not be regulatory, but may be educational and cooperative, for example EPA Victoria's Cleaner Production program. The program aims to reduce wastage, maximise resource use and save upfront dollars.

The changing perspective of 'wastes' being lost 'resources' is not necessarily driven by the community, but rather a broader recognition that our natural resources are not infinite and that it is prudent to fully utilise all available resources, including what is presently thought of as 'waste'.

Draft Finding 7.1 – The Waste Hierarchy and Target Setting

The goal of the Victorian Government's *Towards Zero Waste* strategy (*TZW*) is for the Victorian community to become 'low-waste', not 'zero-waste'ⁱ. The term 'low-waste' implies maximisation of resource use and disposal of wastes, when the maximum value has been extracted from 'wastes'. The MAV would agree that the waste targets of the (*TZW*) strategy are indeed arbitrary, yet are set to encourage continual improvement in resource recovery and are based on good quality data-sets. They are designed to be achievable by the end of the ten-year period and set so as not to impose unnecessary financial costsⁱⁱ. *TZW* explicitly acknowledges that rural and regional areas are best placed to set their own targets based on knowledge of their capabilities and capacity.

Draft Finding 8.1 – Mandatory Recycled Content

The MAV agrees that across the board mandatory recycled content standards may not produce the best environmental, social and economic outcomes. Consideration needs to be given to the purpose of products and the full cost of requiring certain recycled content. The MAV encourages further investigation and discussion on this issue.

Draft Finding 8.5 – Litter Regulation

The Association agrees with this finding. Effective litter approaches, as demonstrated by the City of Greater Dandenong example in our initial submission (sub. 113), utilise regulation, enforcement, education and community involvement.

Draft finding 9.1 – Variable Household Charging

Victorian local governments in many cases provide basic variable charges through charges for larger or smaller sized bins and the MAV would encourage more to do so. For example, the City of Frankston has recently introduced additional incentives for households by providing a \$20 rate reduction for those that accept less frequent waste collections, as well as providing either free worm farm or compost system to recycle their food organics. It may be, with further analysis that a frequency based

collection system may provide the best overall cost-benefit, as well as providing clear cost signals to householders.

The MAV believes that more accurate charging systems would provide much clearer signals to households; however the benefits would need to be weighed against the costs of introduction and administration.

Draft Finding 9.2 – Deposit Refund Systems

The Association believes that Container Deposit Legislation (CDL) may provide a useful tool to complement existing kerbside collection systems in dealing with the food stuffs consumed away from the home. CDL in South Australia has led to reduced amounts of beverage litter, yet appear not to have affected remaining litter streams. Further work needs to be done on the effects a range of CDL approaches would have on well-developed kerbside systems, in particular the possible yield reduction and overall cost-effectiveness.

Request for Information – Variable Charging Systems

The Commission seeks further information from inquiry participants on the extent to which State and Territory local government legislation limits the ability of local governments to implement variable charging systems for collection and disposal of municipal waste.

There appears to be no legislative impediment to local government implementing further variable charges. Introduction of more complex variable charging systems, such as weight or frequency, may require cost-benefit analysis by Sustainability Victoria. However, it appears that even modest reductions in waste generation influenced by these systems, may outweigh the annual capital costs of new systems. Local government would welcome further work by Sustainability Victoria on the capital and running costs of variable systems against the benefits they may offer.

Draft Finding 13.3 – Indicators of Cost-effectiveness and Benchmarking Local Government's Kerbside Collection

Sustainability Victoria has worked with local government to develop a good data-set on volumes and costs of kerbside collection over the last five years. The Local Government Data Collection Survey appears to provide useful indicators. There is scope for further tools to model cost effectiveness in the economic, social and environmental realms of different waste management options.

MAV Response to Productivity Commission Draft Recommendations

Draft Recommendation 7.1

Governments should not allow the priorities suggested by the waste hierarchy to override sound policy evaluation principles based on a net social benefits approach. All of the costs and benefits of alternative waste management options should be carefully evaluated.

The Draft Report has misinterpreted, at least the Victorian Government's use of the waste hierarchy. The waste hierarchy is a *guide* to how waste *should* be treated, as far as is practicable in line with the overall cost-benefits.

The MAV agrees that the costs and benefits with all waste management options, including alternative waste management should be fully and transparently assessed.

Draft Recommendation 7.2

Governments should not directly or indirectly impose waste minimisation and recycling targets as part of waste management policy.

The MAV disagrees with this recommendation. While the Association agrees that waste minimisation and resource recovery targets should be based on achievability and full cost-benefit analysis, Governments are better placed to set these targets than business. The Victorian Government does not strictly impose the TZW targets it has set; rather it uses a collaborative approach to assist business, industry and local government to work towards the targets. It is difficult to see where waste minimisation and resource recovery targets would be set if not in waste management policy. While there are some notable exceptions, it is unlikely that business will determine their own targets for resource recovery or directly account for negative externalities. Business is focused on maximising financial profit and revenues, not accounting for potential or actual environmental damage.

Draft Recommendation 8.1 – Plastic Shopping Bags

Governments and retailers should not proceed with their foreshadowed plan to eliminate plastic shopping bags by the end of 2008 unless it is supported by transparent cost–benefit analysis. The analysis should clarify the problems that the ban would seek to address, the response of the community to a ban, and whether or not alternatives — such as tougher anti-litter laws and means for encouraging greater community participation in controlling litter — would achieve better outcomes for the community.

The Association agrees that elimination of a product through regulation requires careful consideration of the cost-benefit of doing so, especially with regard to possible replacement products. Further, the take-up and acceptance by consumers of reusable bags, in particular ‘green bags’, demonstrates that education, availability of alternatives and changing practices by the large retailers has gone some way to addressing the issue ahead of regulation. The Association acknowledges that the major food and grocery retailers have achieved significant reductions in plastic bag usage with no regulatory measures as outlined above, with the driver of possible, future regulation. Should reduction targets, acceptable to the community, fail to be reached, there is a need to revisit regulatory approaches.

It should also be noted that while *only* one per cent (from Draft Report) of HDPE plastic bags becoming litter, this still represents around 39 million plastic bags. Victorian local government annual litter costs, including litter prevention are around \$100 millionⁱⁱⁱ, therefore on a 2 per cent attributable cost to plastic bags, the plastic bag component makes up around \$2 million in costs to Victorian local government and communities.

Draft Recommendation 8.2

Greenhouse gas externalities should only be addressed within a broad national response to greenhouse gas abatement, not through landfill regulation or levies.

The Draft Report asserts that policy interventions must be of a direct nature, rather than indirect; it would therefore follow that capture and minimisation of greenhouse gas generation at source is the best approach. The MAV supports the need for clear best-practice regulations for landfill to deal with greenhouse gas externalities and that this be linked with broader climate change frameworks. The Association agrees that the current landfill levy structure is blunt and too indirect a tool to deal with this externality.

Draft Recommendation 8.3

Australian Governments should increase the level of public awareness about the costs and benefits of different waste disposal options, including the capture of energy from waste.

The MAV agrees that the level of public awareness of the costs and benefits of different waste disposal and resource recovery methods needs to be made more transparent. An informed public are more likely to support their local government in their waste management options if it can be demonstrated that the suite of options chosen provide the best environmental, social and economic outcomes.

Draft Recommendation 9.1

Governments should discontinue the current practice of using landfill levies since:

- *pursuing objectives, such as arbitrary landfill diversion targets and revenue generation, to fund waste policies, will lead to inefficient outcomes;*
- *the external costs of disposal of a modern, fully-compliant landfill are believed to be small and levies are a poor instrument for directly targeting those externalities; and*
- *the objective of reducing greenhouse gas externalities should be addressed within a broad national response to greenhouse gas abatement, not through landfill regulation or levies.*

The MAV welcomes further discussion and debate around the role and function of landfill levies. There is suggestion that landfill levies may hamper local government from fully recouping the costs of managing best-practice landfills, as well as potentially creating market perversions.

That said, the MAV believes it is important to properly account for the negative environmental and social externalities associated with landfill. Further analysis is required on the true level of these externalities, with appropriate regional analysis as well as the level of funding hypothecated through the Victorian Government to local government's resource recovery efforts. Also worthwhile is a strategic assessment of landfill levies currently being collected and the amount flowing via the Victorian Government back to local government. Of particular interest would be the amount directly used to fund landfill environmental mitigation measures, such as landfill gas capture.

Draft recommendation 10.1

The terms of reference for the scheduled 2008 review of the National Packaging Covenant should be expanded beyond an assessment of effectiveness. An independent review should consider all relevant evidence about whether the Covenant (and supporting regulation) delivers a net benefit to the community.

The MAV agrees that the Terms of Reference of the 2008 National Packaging Covenant review should be broadened to include effectiveness, incorporating cost-benefit analyses. The cost-benefit analysis should compare the NPC with the 'complementary measures' currently being developed by the jurisdictions.

Draft recommendation 10.2

Product stewardship schemes for computers, televisions and tyres should not be introduced without robust evidence that:

- *there would be a net benefit for the community; or*
- *other policy options would not deliver a greater net benefit.*

This is particularly the case if a mandatory approach — involving either industry-government co-regulation or government regulation — is being contemplated.

The Association agrees that for all policy options robust evidence should be provided on the total cost-benefit as compared with other policy approaches. Such as assessment needs to be transparent and have agreed definitions and weightings for the different components of 'net social benefit'. It is imperative that the full costs to local government of managing the environmental externalities of end-of-life products, such as illegal dumping, are adequately accounted and able to be recouped by local government.

Draft Recommendation 12.1

State and Territory Governments should ensure that all local government operated landfills comply with all relevant licence conditions and charge users the full costs of waste disposal.

Local governments should meet the same standards and licence conditions in landfill operation as commercial operators. This being said, rural and regional local governments are under significant cost pressures in a number of areas. There is an increasing trend for local government to provide a line item for waste management in rates notices. Local government is especially sensitive to any shifts in rates or charges, as these are transparent to the householder and easily comparable from year to year, unlike almost all other levels of Government.

Waste management, like sewerage and water services is considered an essential service and likewise it may not be appropriate to seek full cost recovery. A full shift to rates or gate-based full cost recovery may lead to unintended consequences such as illegal dumping or mixing dangerous waste streams, such as asbestos being covered with general wastes to avoid paying the appropriate charges. A way of possibly avoiding these consequences is to seek the recovery of waste management costs upstream through retail pricing, based upon current market costs and externalities. Should a full-cost recovery be warranted, this would be assisted with tools that allow local governments to fully assess the environmental, social and economic costs of their different waste management options. This information can then be used to fully inform local communities of the true cost-benefits of waste management.

Draft Recommendation 12.2

State and Territory Governments should consider shifting the responsibility for waste management in large urban centres from local government to appropriately constituted regional bodies.

The MAV agrees that there are a number of benefits with centralised waste management in large urban centres, such as the increased economies of scale allowing greater investment in processing technology and reduced contracting costs. Within Victoria Regional Waste Management Groups have been successful in facilitating the development of regional facilities for use across a number of municipalities. In Melbourne a new Metropolitan Waste Management Group is in the process of being formed to provide coordinated, metropolitan-wide waste planning. Importantly, local governments retain direct control of contracts and do not have to opt into any regionally-based contracts.

Draft Recommendation 13.1

The Environment Protection and Heritage Council should coordinate the development of a concise, nationally consistent, data set for waste management that would facilitate evaluation and comparison of waste

management policies across jurisdictions. It should have regard to data collection practices already in use.

The MAV agrees that nationally consistent data sets would greatly facilitate evaluation and comparison between waste minimisation and resource recovery options in different states, although this must be mindful of regional contexts. See Draft Finding 13.3 for discussion on the Victorian Government data collection methodology.

Draft recommendation 13.2

Government-funded data collection on waste management should focus only on the data needed to address important policy issues such as those identified in this report.

From a local government perspective any requirements to collect data and submit surveys creates an additional workload, therefore data collection must be absolutely essential and inform policy issues.

Conclusion

While the MAV agrees with some of the findings and recommendations in the Draft Report, the Association considers the direction of the draft report to be out of step with the Australian and State Government policy directions and the community's views.

The MAV encourages further work on the evaluation of the externalities of different waste management options providing useful tools for communities to make informed decisions about how to treat their wastes.

The Association welcomes ongoing partnerships with Victorian state agencies and industry in resource maximisation and optimal waste management.

Further Information

Further communication on the MAV's response can be directed to:

Ben Morris - Waste Policy Officer
Municipal Association of Victoria
Tel: 03 9667 5580
Email: bmorris@mav.asn.au

ⁱ EcoRecycle Victoria (2005) *Sustainability in Action: Towards Zero Waste Strategy*, p. 4

ⁱⁱ Ibid, p. 13

ⁱⁱⁱ Sustainability Victoria (2006) *Analysis of Litter prevention in Victoria*, unpublished.