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TRANSCRIPT OF PROCEEDINGS

PRODUCTIVITY COMMISSION

INQUIRY INTO WASTE GENERATION AND RESOURCE EFFICIENCY

MR P. WEICKHARDT, Presiding Commissioner

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY ON WEDNESDAY, 1 MARCH 2006, AT 9 AM

Continued from 28/2/06

MR WEICKHARDT: Good morning, ladies and gentlemen. Welcome to the public hearings of the Productivity Commission Inquiry Into Waste Generation and Resource Efficiency. My name is Philip Weickhardt, and I am the Presiding Commissioner on this inquiry. The inquiry started with a reference from the Australian government on 20 October 2005. The inquiry will examine ways in which waste management policies can be improved to achieve better economic environmental and social outcomes. The inquiry covers solid waste, and more specifically the issues associated with municipal commercial, industrial, construction, and demolition wastes.

We've already talked to a range of organisations and individuals with an interest in these issues. Submissions have also been coming into the inquiry following the release of an issues paper in December, and I think we're now up to 100 submissions. We are grateful to the many organisations and individuals who have already participated in this inquiry and for those who are participating in the hearings. The purpose of these hearings is to provide an opportunity for interested parties to discuss their submissions and their views on the public record.

We have already had hearings in Canberra, in Melbourne, in Brisbane and Adelaide, hearings here in Sydney yesterday; and following this, we have hearings in Perth tomorrow, and in Melbourne again on Monday next week. We are then working towards completing a draft report for government by the end of May, having considered all the evidence presented at the hearings and in submissions, as well as other relevant information. Participants in the inquiry will automatically receive a copy of the draft report.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken. At the end of the proceedings for the day, I'll provide a brief opportunity for anyone wishing to do so to make a presentation. Participants are not required to take notes, but are required under the Productivity Commission Act to be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions, or by other speakers here today. The transcript will be made available to participants and will be available from the commission's web site following the hearings. Copies may also be purchased using an order form available from staff here today. Submissions are also available on the web site or by order form.

To comply with the requirements in the Commonwealth occupational health and safety legislation, I draw your attention to the fire exits, the evacuation procedures and assembly points; and the evacuation route is out these doors, out some emergency doors immediately to your left, down the stairs, and there is an

assembly point outside the Ibis Hotel, where the trees are. The hotel alarms are a beep-beep-beep for alert and a whoop-whoop-whoop for evacuation, and we've got two fire wardens from the Productivity Commission here to help with - wizards, that's right; fire wizards in the local vernacular. So I hope those services are not required.

Our first participants this morning are the New South Wales Department of Environment and Conservation. We have Tim Rogers and Simon Smith. Welcome and thank you for your submission. If you could give your names and positions, please, to introduce this; and if you want to make some brief introductory remarks, that's great. I assume we've got a lot to talk about, so hopefully we'll be able to productively spend the next hour.

MR SMITH: My name is Simon Smith. I'm today the acting director-general of the New South Wales Department of Environment and Conservation.

MR ROGERS: My name is Tim Rogers. I'm the executive director, Sustainability Programs Division.

MR SMITH: I did want to make a brief opening statement on behalf of the department, which I'll do now. I guess we did want to start with acknowledging that waste is a problem. Waste is both the material - or it's a way of understanding a material under certain physical and price conditions - but it's also a verb, and we understand the community expects the government to act in relation to waste. Hence, in our view, waste avoidance and broader sustainability issues are legitimate aims of waste policy, and New South Wales has a comprehensive suite of approaches that focus both upstream and downstream on all of the processes that lead to the generation and management of waste.

One part that I know has been raised in evidence and submissions is the use in New South Wales of an economic instrument for the waste levy, and we believe that's just one part of an overall program sweep that can drive innovation and change. New South Wales wants to drive innovation and productivity growth in how the economy uses resources in a way that would essentially deliver some of the benefits that productivity growth has delivered in other areas of the economy.

I'd like to mention some specific reasons why governments must intervene in various parts of the waste cycle. The big problem is the resource aspect of waste, in our view. Globally, I guess, people are very familiar with the fact that human beings are rapidly depleting and degrading the earth's natural systems and resources, and that our current systems are failing to prevent the growth in the rates of depletion in nearly all cases. New South Wales disposes of about 6 million tonnes of waste, and the generation rate of waste is growing in New South Wales, essentially linked to

increased levels of prosperity and consumption.

Landfill space is limited within the Sydney basin, and the clear evidence is when we want to move landfill to places where there is more land, where there are plenty of holes, further outside Sydney, there is very strong community opposition to being the recipient of Sydney's waste in those communities. The evidence we have before us says the community strongly supports waste avoidance and is willing to pay to help facilitate recycling. We believe that in this discussion it's critical that we acknowledge the very complex intergenerational and international issues that mean this is not a simple problem to resolve and that sustainability is a legitimate aspiration of government policy.

What is the New South Wales approach? New South Wales has had a very clear and published strategy in place since 2003, and this is available on our web site. This was based on extensive consultation and technical investigations into various issues. More recently, New South Wales has consolidated two formerly separate bodies: the New South Wales EPA, which was a body concerned with regulation of the environmental impacts of waste management; and a former body, Resource New South Wales, which was a body concerned with sustainability programs. So we're attempting to, or we are now bringing those two things together to create a seamless policy and program package.

We've focused, as I mentioned, upstream and downstream. We have programs with multiple stakeholders relating to multiple environmental categories of activity. For example, we focus, in the commercial and industrial sector, on the state's role in the national packaging covenant discussions, broader issues on product stewardship. We have legislation that provides a framework for extended producer responsibility. We have a program to guide greener government purchasing. We have an extensive program of partnerships and individual company programs with industries to provide support and to help them better manage their own environmental impacts, while often, in fact, increasing profitability; and we're active in facilitating resource recovery markets from both supply and demand sites.

We have programs with local government, guidance on resource recovery and waste collection; collaborative work on littering and dumping prevention; assistance to councils on how they go about green purchasing; and helping councils better manage construction site recycling. We have specific programs to help develop recycled organics markets; we have very broad community education programs. We have research and development grants to support technology and innovation. We have a system of waste data gathering and analysis. We take on particular problem waste projects, where there are certain materials that are causing various environmental problems. We deploy economic instruments, as I mentioned, and we offer a smart regulatory program with a mix of tools. So I guess I just wanted to

emphasise that, so that no-one was under a misapprehension that New South Wales has the waste levy and that's all we do.

Why must governments intervene? There's been a fair bit of discussion already about the well-understood potential for market failure in the waste management industry, where the externalities of those activities are not exceptionally priced. I did want to just note for the record the perennial debate about how to correctly calculate the values of that externality, and to highlight that I don't think that that will ever be resolved to everyone's satisfaction anytime soon, so we shouldn't expect it to be so.

But that's not the only reason that governments must intervene, and I think this is a very strong and central point. We live in a global economy. There are extensive gaps in resource management frameworks around the world. It would be grossly unrealistic to sit back and expect and wait for all of the jurisdictions in the world to put in place sustainable arrangements for the use of renewable resources and non-renewable resources, and also for proper pricing of externalities that arise in production and consumption. So essentially, the New South Wales government doesn't seek to export those problems to the rest of the world. It wants to develop the models and technologies that are how the economies could be in the future, so that they would reduce those impacts without waiting for other countries to attend to those issues. Two other reasons: one is that our experience is frequently - we call it bounded rationality. People, economists would often argue - and I have trained as an economist myself - that it's unnecessary for people to - - -

MR WEICKHARDT: I stress I haven't.

MR SMITH: That it's unnecessary for government to intervene, because if there are profitable things that people can do in their own interests, like energy efficiency or water efficiency or materials efficiency, they'll do it; but the evidence is that they're too busy. They don't think of it, it's not that important. Our programs show when we work with companies or we use our policy leaders to give them a bit of a jolt, they suddenly have a fresh look at what's before them and they find they're actually quite significant opportunities that they haven't got to that are profitable and good for the environment.

Finally, we have to be involved because there are significant antisocial behaviours involved with waste. There is a high potential for personal gain at the community's expense, and we've had experience in New South Wales; the ICAC has conducted an investigation into the potential links between corrupt and criminal behaviour and the waste sector. That is an unfortunate reality of the waste industry. So again, that information is available on the ICAC web site.

Following from that, our objectives are to minimise the negative environmental

impacts through our regulatory programs, to meet the community's expectations about avoidance and recycling. The community, we find, is not always only wanting the cheapest solution. They want many things that are not the cheapest. They want urban green spaces, they want community services, they want the arts, and they want recycling and waste avoidance. Sustainability is a legitimate aim of government, and we also focus on waste avoidance.

Just to conclude the opening statement, can I just highlight some specific regulatory problems that lead to some of the measures we have in place. We're dealing with slowly lifting the bar on the performance of current landfills. Many of those are not satisfactory yet. We are dealing with litter and avoidance of the proper disposal costs, so the potential for people to dump waste in, particularly, say, bushland on the urban fringe of Sydney. We are dealing with more sinister aspects, which is people who hold out that what they're doing is a beneficial reuse of the material and they couldn't be caught in the waste regulatory system; whereas in fact what they're doing is putting onto land industrial and hazardous waste materials under the guise of recycling, but it in fact has the potential to contaminate land, soils, waters and agricultural produce.

We're also having to deal with cleaning up legacies of previous very poor past industrial waste management arrangements. For example, we're dealing at Botany with the Orica site, where past poor management of waste, in the sense of bad housekeeping and control, has contaminated the whole Botany Aquifer and has impacted on Botany Bay. We're dealing at Homebush with poor waste management in relation to industrial activities there, where the production of dioxin and its discharge into the harbour has meant the whole Sydney Harbour Fisheries had to be closed. We're dealing all over the state with gas and leachate problems with old landfills that weren't properly managed. So that's what leads us into the whole range of things we need to do. So I'm happy to answer any questions.

MR WEICKHARDT: Okay. Thank you very much indeed. You're okay?

MR ROGERS: You're anxious to move to questions. If we could perhaps leave a couple of minutes at the end in case there's anything we haven't covered.

MR WEICKHARDT: Sure. Thank you very much indeed, for your submission and for you participation in this inquiry, which is extremely important. Your input is very important to us. Your submission raises a number of issues which are sort of central to the matters we're wrestling with in this inquiry. I guess the areas where probably everyone who has presented to this inquiry would agree - and I think you've commented - is that sustainability is a legitimate aim for governments and for society. There are few people who would argue against that. I think you've also noted that we should be setting policies that take account of economic,

environmental, social costs and benefits; I think we would probably all agree with that. You also stress in your submission that we want to avoid perverse economic and environmental outcomes and meet community expectations.

So those are all sort of givens. The area where we're getting quite a lot of contradictory input comes to, what does that actually mean for waste policy? One of the central issues that you commented on in your introduction is this matter that you believe there are - and other people have made these comments - that there are unpriced externalities associated with the extraction of virgin materials and unpriced effects of depletion of those resources, and it's for that reason we should start intervening in the area of waste and waste disposal.

MR SMITH: I guess it's externalities at the point of extraction of resources, but also externalities or unpriced impacts that arise as those resources are transformed into goods and services and as they are consumed, as well as in the point of dealing with them at waste disposal.

MR WEICKHARDT: I guess the issue that I'd like you to talk about is that, given the fact that any activity that mankind gets involved with consumes resources, and indeed, the efforts of waste recovery, recycling and recovery of consumed resources; how do you know that the policies that you're recommending and suggesting and incentivising through various instruments, including the waste levy, aren't actually at risk of creating perverse economic and environmental outcomes by diverting resources in an area unjustified? If you can't actually quantify what the externalities are in terms of resource depletion and use of virgin raw materials, how can you say that the processes of resource recovery and the targets you're setting aren't at risk of doing the very thing you were concerned about, that is, wastefully using resources in an inappropriate area?

MR SMITH: I suppose the policies that exist in New South Wales were put in place, as I mentioned, in the strategy that was published in 2003; and the government had commissioned a series of investigations and reports and assessments that were the basis on which those targets and the strategies were set; and those questions were considered through that process, would be my simple response. But Tim, did you want to add anything at all about that?

MR ROGERS: I think the other thing is that we - the discussion often comes to the end point without moving further up the chain. I don't want to hang a particular flag on the waste hierarchy, in the sense of it being a linear progression, but a lot of the work that we do is pointed at better outcomes in the manufacturing process. If I took a quick example of some work that we did in one of the clusters in western Sydney, we invested some money, but with a cluster of businesses looking at their production work, their waste outcomes, and the like, the outcome of that was a saving of

32 million kilowatt hours of electricity, 18,000 gigajoules of gas, 34,000 tonnes of CO_2 emissions, 9300 tonnes of raw materials by reuse and cleaner production, 290 megalitres of water, 8000 tonnes of landfill and almost $10 million in financial savings. So it's not just about what you do at the end; it's how well you can fine tune the processes up the top.

If you went through some of the outcomes that were reported in the National Packaging Covenant Review, then the amount of waste actually avoided by better packaging material, or less packaging material earlier in the chain, is in fact a much bigger benefit than trying to recover it at the tail end. A lot of this debate tends to focus on what you do as a recovery facility at the tail end. I don't know that you can actually measure the impact simply at the point of disposal without taking some account of some of the impacts further up the chain.

MR WEICKHARDT: I don't think we have any difference there. It's that looking at the totality of the situation that I'm grappling with, and we're all grappling with; and every action, Mr Newton said, has an equal and opposite reaction. Perhaps in the laws of economics and the world, it's a little more complicated than an equal and opposite reaction, but every action has a consequence; and the packaging issue will be addressed by our next participant.

But they've pointed out, yes, you can lower the amount of packaging and reduce that, but the consequence might be that you introduce more waste because you damage more product. Just pulling one lever and thinking, "Well, I've solved that problem. I've got some consequences here," doesn't actually prove that that was the optimum outcome. You've quoted a whole lot of very desirable consequences from an action that was taken. What we can't prove, unfortunately, is, had you not done that and somebody had done something different with their time and their resource, whether or not you could have got an even better outcome.

MR SMITH: That's why, I mean - - -

MR WEICKHARDT: So that's why we spend a lot of time, I guess, trying to produce economic sort models and studies of different options, to really satisfy ourselves whether or not the actions that are being proposed are the optimum in terms of balancing effects and counter effects, and outcomes and reactions.

MR SMITH: I guess as you would know, there's a multiplicity of studies, and it's a highly-contested area, where there are various studies in Australia and overseas that go into all of this and talk about the benefits of recycling activities or programs. There's people who would use life-cycle analysis to argue, and there's people who want to use a more narrow economic perspective. It's just - it's a highly-contested area. So I mean, I guess, having considered that evidence, our view was that the

program sweep that we have in place is certainly going to do far more good than harm. That's our judgment, based on all the years of experience.

MR ROGERS: I think the other thing you need to look at is that it's not an area in which there is perfect information. You can take an argument about packaging and goods and there's protection of what's in it, whether or not you extend the life, there are health and safety implications. Then there's just a question of whether or not something is simply necessary. If you look at the audit of disposed material to landfill, then you find that in the average council bin there is 20 per cent of the material which could simply have been put into the recycling bin. That's in a reasonably well-operated council system. So there are opportunities in that area.

If you went to a commercial tip - whether it's a transfer station or a landfill - you would find huge quantities of cardboard which could quite simply be plucked out, if the infrastructure is there. We're not talking about places where there are market shortages. We're talking about simple opportunities in which you need to create part of a value chain, where material which will have a beneficial downstream effect can be readily sourced. I'm quite sure that some of your later participants today will give you far more detail of that sort of material. It's quite a simple process. We're not talking about high-tech recovery. There is just a huge amount of material currently being put in holes in the ground which has another life, and part of the task is to make sure that it gets one.

MR WEICKHARDT: I don't think anyone disputes that we shouldn't be exploring sensible, logical solutions of that sort. What we're trying to explore is whether or not we've got this mix of instruments optimised, and whether or not there are better policy approaches that would give a better overall outcome.

MR SMITH: Commissioner, sorry, can I just add to that. There has been some discussion about the zero waste target as an aspiration issue. New South Wales, from its research that underpinned the strategy, took the decision that there would be a residue for landfill; that there was a point at which this balance needed to be taken into account. Hence we have targets in the 60 to 70 per cent range, which we believe are achievable in the long term with the right infrastructure policy and other settings, but we are not pursuing it as zero waste to landfill objective. I think that reflects the reality that you're perhaps seeking, that there is a point of economic balance and that's what we should be aiming for.

MR WEICKHARDT: Good. Thank you, that's helpful. What we're wrestling with is where that point is. Just on that subject, I mean, you made a comment in your submission about the fact that targets provide - you say, "There is strong support in many sectors of the community establishing the targets and goals on the basis that they provide transparency and scrutiny of public process to ensure that results or lack

of them are clearly measured." I guess what I'm interested in is whether or not there is transparency on the way those targets themselves have been established. Would you like to comment on how the government have ended up with the targets that have been established.

MR ROGERS: Around about 2000, the New South Wales government undertook a series of waste investigations. Tony Wright, who's a principal of Wright Corporate Strategy, undertook a major review of the waste infrastructure and potential of diversion in Sydney. He's a partner of the same firm as Paul Howlett, if you may recall Paul Howlett gave evidence in Melbourne. As a result of that, he produced a number of different scenarios, a sort of do nothing approach, a mid one, and an aggressive scenario. The targets in the state waste strategy largely reflect the Wright aggressive scenario. Time had changed a couple of numbers, but broadly they adopt the aggressive scenario recommended by Wright as a result of that report.

MR WEICKHARDT: Can I just check I understand - and forgive me, I haven't read that report. But I understand that those scenarios were what is technically possible in terms of, you know, recycling and recovering. They were not necessarily analysis of what is optimum from a point of the overall community welfare and long-term sustainability and you know, consideration of resources employed. I don't think any of those issues were tackled. As I understand it, he was simply asked, "What is technically possible?" Is that correct?

MR ROGERS: I wouldn't have been quite as pointed as that. I'd have to go back and refresh my memory on the exact terms of reference. But my understanding was to look at what the options for Sydney were. He worked through, as I say, some do nothings and some medium ranges. Yes, there were some issues about what was technically possible, but at that stage we hadn't seen the level of development of waste recovery infrastructure that we have today. So that it was working pre a number of the systems which we now have established.

MR SMITH: But it wasn't ignoring the cost of those technologies.

MR ROGERS: No, it wasn't ignoring the cost, and in fact, that's why his conclusion that there would in reality always be some residue, I think you'll find is there. This is an imperfect measurement situation, and I defy anyone to measure from extraction to disposal every externality and cost that's involved. We can only do the best we can at points in the chain.

MR SMITH: Perhaps what you're suggesting is that there might be sort of a comprehensive model that incorporated all of the positive and negative consequences of adopting particular targets, and I think that the answer that you would get with that would be so wildly subject to the values of key unpriced but real impacts, that the

exercise probably wouldn't take it much further than where we'd be today.

MR WEICKHARDT: I guess the issue that we fervently believe, and I think COAG signed off on is that regulation and legislation should be absolutely transparent about its objective; it should look at the various options for achieving, you know, that objective; and then should look at the costs and benefits associated with that.

MR SMITH: Yes. No, I'm not saying we didn't try. I'm just saying that it would be impossible to do it in a way that everyone would go, "Golly, yes, we all agree with that," because many of the key central factors of such an analysis, people have widely divergent views on what values should be assumed for the analysis, because those things are currently unpriced. So you know, what do you assume to be the value of the omission of CO_2? What do you assume to be the value of avoided further depletion of timber stocks, fish stocks, soil stocks, and those things being global. I mean, those things are very difficult to do.

MR WEICKHARDT: I accept they're difficult and they're probably beyond my ability, but I guess, as I say, my concern is that unless the best attempt is made at that, the risk is that we divert resources to do something that we think is the right thing and end up in - you know, other generations saying, "Goodness gracious me, it wasn't our mistake."

MR SMITH: I think one of the key things that we've observed in these processes is that people often bring a kind of static mindset to these analyses, and our experience on other regulatory issues has been, typically when we want to start to try and fix an environmental problem, the various vested interests often make claims that these costs will be far larger than they turn out to be once people apply their intelligence to developing new technologies and solutions.

So we could direct you to a number of - for example, a recent study done by the European Heads of the Environment Protection Agencies, where they include a number of examples of how - for example, one was that when the Europeans proposed to introduce catalytic converters, the industry said, "This will be 700 euros per car; no-one will be able to afford it" - it will be very negative - and may actually turn out to cost 50 euros. When the US Clean Air Act was going to be introduced, the industry said, "This is going to cost an amount" - that turned out to be, I think three or four times what it truly cost, because people assume, "The only way to do this is to use this technology that is available today that costs us a lot of money."

It turns out, once you actually get going, you develop new ways of doing things and it turns out to be much simpler than you think; and we see this over and over again. For example, our waste levy, you know, was started in the early 70s at a very

low level. It's been slowly increasing ever since then, and what we see is progressive adoption of technologies that have the capacity to reduce the amount of waste going to landfill, to make better use of resources, to displace the use of virgin materials in ways that seem like so obvious now, but weren't happening then. So you know, this is our experience, that people do come up with solutions that mean that their potential costs of change are much less than people claim.

MR WEICKHARDT: I'm sure that's right. It still doesn't mean to say it was the optimum approach.

MR SMITH: No.

MR WEICKHARDT: Just moving on to the issue of the levy, as I understand it, when the levy was first proposed or first discussed, it was suggested that this was an attempt to internalise the externalities associated with landfill.

MR SMITH: I don't think that was the story when it was first introduced. I think when it was first introduced - I mean, you might know, Tim, but I think that it was mainly - this is obviously - I was still at school when this happened. But it was essentially a levy to raise funds for certain necessary purposes connected with waste activities. In more recent years, in regulatory impact analysis that was associated with increases in the levy amount, there were efforts made to quantify the externalities of landfill, and this was presented as the basis for the increases in the levy that were proposed.

We haven't issued the cost benefit assessment for the recently announced increases to the waste levy. This will occur as required under our Subordinate Legislation Act when the regulatory amendments are brought forward. But the premier, in his announcement, made it clear that the goal in lifting the levy was to further the attainment of the recycling objectives and waste avoidance objectives that were in the state waste strategy. So it was deliberately aimed to give a leg up to the kind of technologies that will help achieve the state's waste targets, and also - - -

MR WEICKHARDT: Is this a whatever it takes, there's got to come a thousand dollars a tonne, $5000 a tonne - - -

MR SMITH: What he's announced is a very - it's a stepped, predictable, measured approach. The amounts involved are very close to the amounts that industry had put to us that were necessary to overcome obstacles to the introduction of the technologies and the solutions the government wanted to see put in place.

MR WEICKHARDT: Again, as I understand it from some submissions we had yesterday, those in the recycling, alternative waste treatment area, put to the

government, "If you want to achieve these targets, this is what it's going to take," but again, that doesn't seem to be necessarily addressing this issue of whether the target was a sensible target.

MR SMITH: We don't have any evidence to say that it's not a sensible target. The government have been through a process of adopting it - and they had - I mean, I think what did take some people by surprise was that the government was genuinely committed to achieving what it had set itself to do. The targets have been there for a few years. It was pretty clear that although good progress was being made in some areas, in other areas, essentially the price was an impediment to attainment; and so that's why the government took this further stepped, measured set of increases, to give the signal on the certainty to the investors who would bring forward those technologies.

MR WEICKHARDT: Can I turn to the issue of responsibility for this whole area. I mean, traditionally waste was a local council, local government responsibility. I think if you go back far enough in time, so was sewage, and so was water.

MR SMITH: It was indeed.

MR WEICKHARDT: So was electricity generation. Those other areas are areas - the latter ones - where the benefits of scale have meant that those responsibilities have been lifted to a state, and in some cases national, responsibility. It's been put to us by quite a few people that in the areas of waste that the benefits of scale and coordination are such that individual local councils really don't have the resources and the critical mass to address a lot of these issues properly; and we've seen attempts by councils to join together - sometimes orchestrated by state government, sometimes by their own activities.

I guess yesterday it was pointed out by one of these associations in Sydney - the SSROC, I think they call themselves - that they like the sort of responsibility and accountability - they like ratepayers for dealing with some aspects of this. But when it comes to the planning issues of where the infrastructure has got to go, how it's going to be planned, where recycling depots will be, who is going to deal with truck movements et cetera, they point to the state government. I guess the question I have is, does continuing to handle this whole area of waste in an area as big as - an urban centre as big as Sydney at a local council level make sense?

MR SMITH: It's definitely true that there are benefits to larger-scale organisation of waste services. What is in one of the key parts of the changes to the waste levy that the premier announced is a system of payments to local government based on performance of waste service standards in councils. So what's going to be happening is that the state will be publishing standards for how councils should go about

providing waste and recycling services to the community; and if councils meet those standards, then they get substantial - essentially rebates of the waste levy moneys that are attributable to the waste from each council area.

So there's a recognition that a state can drive more consistency in how those services are provided, because one of the key problems we find is, because we don't have consistency or necessarily good standards in all areas, that materials are recycled or collected for recycling in good faith, but they may well be contaminated or not useable for the purpose. So this is a key area we seek to drive the adoption of standards in, you know, service in local communities, and to make them more consistent so we can have larger contracts, more predictable material flows and so forth. So yes, we believe that that's important.

MR WEICKHARDT: It's certainly been put to us that one of the areas that's aggravated the compliance issue you talk about, is that at the moment you've got local councils abutting on areas with quite different policies in terms of what to recycle, what bin goes - you know, sort of what goes into what bin. People only need to move a small distance and there's a different policy which confuses them as to what they should be doing.

MR SMITH: I think that's going to be addressed in time.

MR ROGERS: You are seeing a much - I should go back to your original question. In the metropolitan area, waste disposal was removed from local government some years ago but they retained the control of collection, so it's actually the collection systems that we're talking about in the metropolitan area. When you move outside the metropolitan area, then local councils still retain disposal facilities - in some cases jointly with other councils. There is as trend towards larger landfill shared by a number of councils on a commercial basis, and the reality is that as landfill standards tighten, so the cost of opening a new landfill becomes higher, and landfill sharing between councils, or transfer stations and single landfills are becoming more common.

We are doing a lot of work to try and standardise within a range some of the council systems. It is possible to find significant variations between abutting councils, but they are gradually working through. But there is no doubt that some individual councils are personally wedded to their particular system. We have invested quite significantly in trying to define what good practice systems are, and indeed, to define the economic benefits of the different recycling systems for different places. So harking back to one of your earlier comments, one of the places we have invested is saying, "Recycling is a valuable resource here. Here it's too far away; therefore you should look to doing something different."

Hauling newspaper from Bourke is not necessarily sensible for the quantities that are there, and we have genuinely tried to put some serious dollar values on when you should run green waste collections, when it's not worth it, when you should move material from A to B; if you can encourage people to have reasonably standardised systems, you know your containers go in a yellow-top bin - it doesn't matter where you are, you've got the same yellow-top bin.

There are issues which we are working through. There are some excellent examples of councils getting together and running a project. The Macarthur grouping, for instance, has just led a contract which will deliver a common system across four councils, an alternative waste technology outcome and a diversion rate in the 80 per cents, economically. Those sort of outcomes are available if you manage the process properly.

MR WEICKHARDT: Okay, thank you. I think it's fair to say that from the submissions we've received so far, that most people agree to meet the targets that the New South Wales government have set, that further investment in alternative waste treatment facilities will be required. Can you tell me what you think of the experience so far, of the alternative waste treatment investment that's been made in New South Wales, and what lessons have been learnt from that.

MR ROGERS: Given that we have probably two contenders working at the moment, one other with an agreement to start, and you know, several others under discussion, we don't have a lot of experience in terms of what's there. The GRL plant at Eastern Creek is clearly the most advanced, in terms of both its process and its technology. The Bedminster plant at Raymond Terrace is a much older plant and a different technology - clearly, they're showing capacity to divert.

But a plant in its commissioning stage, I'd hesitate to want to go too far on it, but it has the promise of doing it, and I understand the proposals for the Macarthur one, that that equally should deliver. I mean, these are outcomes that have been tried in other places in the world. It's not new technology in any sense. It's not stuff which shouldn't deliver reduction in volume, reduction in greenhouse gas. The issue is what you do with the product out the other end, and that's essentially on tuning the plant to produce a product which is useful at the other end.

MR WEICKHARDT: Okay, that's an issue that a number of people have drawn to our attention. Comments have been made that at the moment - I think the figure quoted to us somewhere was that there are 450,000 tonnes of compost stored in stockpiles in New South Wales that are excess to the market's capacity to absorb them; and I mean, we had somebody from GRL here yesterday, and we will be talking to GRL in Perth, but they said, "No, no, we're moving our product." But it would seem a bit bizarre - - -

MR SMITH: What?

MR WEICKHARDT: Perhaps it would seem bizarre, but I would be interested in your view; if the only thing that an AWT does is to convert putrescible organics to stabilised landfill; if all the output, apart from the methane that's generated and any of the other recyclables that are recovered, if all the other output goes to landfill as daily cover or as unrecovered compost, is that actually a legitimate objective? I know in Europe that people talk about the fact that that's done. But would that meet the New South Wales government's objectives here?

MR ROGERS: The short answer is not really, although I don't think you should downplay the volume reduction, the greenhouse capture, the capture of recyclable material at the front end of the plant, and the water capture from the plant. They form a significant part of what the plant does. In Europe, you're right, that would be regarded as satisfactory. You'd have an output that could go into a lower classification of landfill, and one in which it was cheaper to landfill. However, if you're going to have an investment like that, then it is a pity simply to put the material back into landfill; and finding a beneficial use for it would be what we'd be looking for.

I also have to say that if we're looking at the New South Wales waste stream, then only a small fraction of it is going to go through a plant like that. We are looking in the Sydney basin at about 1.6 to 1.8 million tonnes of putrescible waste, and about 2.4 million tons of non-putrescible waste. Nobody is suggesting that the non-putrescible waste would go anywhere near one of these plants. In fact, lots of it can be separated at relatively low cost. I'm not sure where your 450,000 tonnes of - is that a nationwide figure, or is it - - -

MR WEICKHARDT: No, it was a figure quoted to us in Brisbane by somebody in the compost industry saying, "We've got no problem actually making lots of compost; what we've got a problem with is moving it." They were wanting more subsidies from the government to help actually move this product to the market. It wasn't clear to us, and it's still not clear to me, whether the problem is a market development problem; whether the problem is a law of physics, and that is compost is, you know, quite heavy to move and costs a lot to move. We've got compost being generated around urban centres and farms, you know, sort of out in - some distance away.

Some people have people to the fact that the regulations around heavy metals and pathogens that may be a concern. So we've got a confused message so far from the various submissions that have been made to us. But it has been put to us that a lot of the material that's being supposedly treated by AWTs in various forms is

actually not going to a beneficial use in terms of, you know, food compost and the value-added process, but simply ending up in stockpiles or landfills; which doesn't seem to really achieve the objective.

MR ROGERS: The AWT plant in Sydney has a capacity of about - off the top of my head, on the last waste search - about 170,000 tonnes a year. The green waste production is substantially more than that, and it's composted separately. So the issue of it being contaminated is quite separate. The AWT output is not the totality of the composted material in New South Wales. There are existing standards for ordinary green waste compost, and there are a number of market issues about shifting the quantity that's produced in Sydney. There are well-established markets in landscaping and home use and that sort of thing. We are working quite hard to shift substantial quantities to replace other materials in places where it is cost-competitive and effective.

There are probably three areas that we could talk about. One is roadside and median strips. One is playing fields, parks and gardens in substantial quantities with councils and the like. The third is catchment remediation. I'm really pleased you've asked this question, because I happen to have brought with me, if you'll indulge me, something - I can leave you with additional copies if you like. These are some of the investments we've made in catchment remediation. That front page is a trial site in the Warragamba catchment where we've actually applied on broad scale organic fertilisers. You can see the sort of difference in four months to what's a strict and fairly bare sort of catchment.

These sort of opportunities for the compost industry close to Sydney mean that you can minimise transports, and you can actually shift fairly large quantities. The one on the second page, that's not degraded, it's stripped with a bulldozer, but you can see the effect in a relatively small period to what you can do in a catchment. The third page is a set of trial plots - and we obviously have more than two. The left-hand one is treated with fertiliser and the right-hand side is left natural. Again, the following page will give you a sort of fairly barren landscape and what you can do in the short term. But these are not small landscapings. As you can see, there are quite large application issues and things. Part of this process is to try and master that by some investment to then demonstrate to catchment management authorities that here is a valuable market for what we're growing with catchment water, in some cases.

MR WEICKHARDT: Okay. I guess that the central point behind my question really is, are you satisfied that by diverting a lot of the material that perhaps traditionally has gone to landfill - which will give rise to more compost being generated - are you satisfied that this will find value-added homes in due course?

MR SMITH: Yes.

MR ROGERS: With work, there are sufficient applications around to be able to utilise composted products. They won't appear by themselves, and they wont appear simply by putting an ad in paper saying, "I have compost for sale." There are things like RTA trials on Windsor Road, where compost is showing up as price competitive and performance competitive with woodchip; and there are some photographs of the Windsor Road trial sites in that package as well. But they are applications which consume large amounts; and that's what we need to build; it is not just landscape. The market for compost spreading on broadacre farms is probably there, but it's a more balanced one. But there are also some high-value ones in intensive agriculture and vineyards and the like.

MR WEICKHARDT: All right, thank you. Moving onto another topic, you made comment in your submission about the fact that you're increasing of standards and lifting the bar on landfills - clearly there have been examples of landfills in the past which have not been particularly well managed. There are modern landfills that appear to be much more sophisticated. With a landfill that is constructed along the lines of the one down at Woodlawn, do you think that the negative externalities have all been internalised? I mean, if they've got, you know, greenhouse gas capture; if they tell us they've lined the material so that you would get leachates escaping. Do you feel that there are still unpriced externalities in that landfill, or that sort of landfill?

MR SMITH: I guess our focus has really been on - we need landfills in New South Wales for some of our waste. Our focus is on, are they constructed and operated in a way that is satisfactory from an environmental performance perspective? I mean, although we do unfortunately have to regularly prosecute various landfill operators in New South Wales, in general we think the modern ones are satisfactory in terms of environmental performance, if run properly. We haven't attempted to make this an economic argument. We've adopted it as a regulatory argument on the basis that because we need landfills, we just want to make sure we've got satisfactory landfills.

MR WEICKHARDT: Okay. But I guess when you look at the sort of comparison between, you know, say a landfill at Woodlawn and a landfill at Lucas Heights, probably they're under very different standards; partly because of historic circumstances, and knowledge of new technology, and location. I guess my question is whether or not you feel there is some argument as to applying differential levies to those different landfills, which is something that I'm told happens in Europe, where they make some assessment of the sort of externalities that are unpriced and then decide on an appropriate levy that's an attempt to, you know, sort of externalise those - to internalise those?

MR SMITH: In New South Wales, we don't rely just on setting a charge to attempt to internalise externalities in any of the environmentally impacting activities that we regulate. We do have systems of charges on, say, air and water emissions. We have the levy. But these are only an element of our regulatory framework. Essentially, I don't think New South Wales would tolerate just allowing payment of a fee if it allowed unsatisfactory management of landfills to go on. So essentially, we'll just adopt regulatory approaches that specify necessary and satisfactory outcomes, and require the operators to move to and achieve those standards.

I have explained the basis of the setting of the levy, because I believe you had - you know, you've had discussion with people saying the levies are already higher than landfill externalities, and therefore the current - the recently announced changes are too much. But I have explained the basis of setting those levy amounts is not to attempt to recover specific externalities at particular landfills in New South Wales. I've explained its broader purpose.

MR WEICKHARDT: With a landfill like the one at Woodlawn, I mean, it's been quoted to us by the operators of that that they can capture 90 per cent of the methane generated. Do you have any view as to whether or not that's a reasonable claim?

MR SMITH: Whether it's true?

MR WEICKHARDT: Yes.

MR SMITH: No, I'd have to check with our people who are familiar with that facility. But I'm happy to do that if you like.

MR WEICKHARDT: You cited, I think, in your submission, greenhouse gas figures for a landfill of between .08 and 1.01 tonnes of CO_2 per tonne of waste. Now, I guess the low level of that is consistent with something like a 90 per cent capture; so I just wondered whether or not you were using the data from that sort of more modern and sophisticated landfill.

MR SMITH: I'd have to go back and check on that.

MR WEICKHARDT: Okay. That would be interesting.

MR SMITH: Because I think Woodlawn still in an establishment phase - early days, anyway.

MR WEICKHARDT: Right.

MR ROGERS: Commissioner, New South Wales does not apply a differential levy

to inert landfills.

MR WEICKHARDT: No.

MR ROGERS: We have a single rate, so that - - -

MR WEICKHARDT: I'm conscious of that.

MR ROGERS: So that, in fact, a comparison between two putrescible landfills comparatively doesn't feature in the charging regime. I think the issue with the inert ones is that, in fact, the pricing of material into an inert landfill is so low without the levy that you would have no recovery from it.

MR SMITH: I think partly also in our - when we're developing regulatory mechanisms, we always have arguments that it needs to be made more complicated to address particular issues. So you know, there will be arguments that essentially, you know, taken to extreme, that every truckload that turns up needs to be opened up to see what sort of materials are in there, and, "We'll charge you this much for the bricks and that much for the paper," and so on and so forth. Our experience is that even ensuring consistent application of the levy in its simple form is not a simple business. It is very complicated. People don't want fancy paperwork. The thing would be way open to rorting if it's far too complicated. So you know, we do think about the appropriate level of coarseness versus specificity and try to strike a practical balance for people so they can get on with their lives.

MR WEICKHARDT: It was put to us yesterday, one of the consequences of increasing the levy is that the car recycling area, which generates waste flock, that at the moment goes to landfill; that in recovery of cars from remote locations in New South Wales, perversely you may get an outcome where now those cars go to landfill in remote areas because to bring them to Sydney and to have to pay the higher disposal charge for the flock isn't economically justified.

MR SMITH: We don't attempt to buy into people's particular business and what they're recycling. If you imagine, if there's some item out in the country which has got 1 per cent of material which is of value to be recycled and 99 per cent that right now people can't reuse, then it wouldn't be that sensible to drag it in from Broken Hill. If it's got 50 per cent, maybe it is worth bringing it in and you would do the recycling. If it's pure aluminium cans and it's very valuable on the market, then whatever the levy is, it's going to happen. So we don't attempt to get into that. But then the levy will - - -

MR WEICKHARDT: You might not attempt to get into it, but it seems to me bizarre that a state government that's all in favour of recycling would rather see cars

go to landfill in the back of Bourke than be brought down here and - 70 per cent of metal and then recovered.

MR SMITH: Can I perhaps address some of the perverse outcomes of that argument, because we have already made the point that we are not about recycling at all cost; that there needs to be an economic and environmental reality for the value of recycling.

MR WEICKHARDT: As long as it's a real economic reality.

MR SMITH: The other issue - and the flock argument is one which rages around the industry. The other issue is how much flock you actually need to create versus the economics of actually taking some of the material out of the car before you shred it. So there are - the aim of setting a pricing incentive at the end of the process is to maximise the recovery and minimise the residue.

There are some arguments about, you know, what actually is in the shredder flock which we could address at some length, but I won't. The other thing is that if that were the outcome - and the example I've most often heard quoted is that we bring a car from Wagga. Now, Wagga is exactly in the middle of Sydney to Melbourne, and it's cheaper to dispose of it in Melbourne. So one would expect that if it were merely that issue, then something from Albury would go to Melbourne - and probably does because it's only a two-hour haul. But there are some market issues around, which would resolve some of those issues.

MR WEICKHARDT: Let's not waste a lot of time on that. I'm not sure I fully understand it. Can I turn to the issue of other activities that the state government are involved with, because you mentioned there is a whole suite of activities. It was put to us by the Cement Industry Association that they have been frustrated at doing some things in terms of using materials that have been classified as waste, as alternate cementitious materials - I think they call them substituted cementitious materials, SCMs. They specifically instanced waste slag. I think you cite an example here where, you know, there is some beneficial outcome from using waste slag. They put it to us that they had had great difficulty actually getting permission to use this product because it had been classified as waste. Likewise, I think in some states they'd had problems with fly ash in terms of using that product because it had been classified as waste.

You've also made the point that you are working on specifications to try to get people to use recycled material. Again, I don't want a guided chapter and verse, but I'm heartened to see that; because lots of people have quoted to us frustration with going to either state government engineers or local council engineers and being quoted specifications that require virgin-only materials.

MR SMITH: Yes. There's a lot in this, but I think the key points are that we don't have any desire to see materials brought under the waste regulatory framework unless that's absolutely necessary, because we understand the arguments that people say that if something is called a waste then it creates problems. I guess our experience is that we - as I mentioned before, we do have people who would seek to exploit if we didn't have a proper waste regulatory framework, by holding out materials to be safe when they are not. So for this reason, we've done a couple of important things and are doing more.

One of the early problems we had was people wanting to apply materials to land, and tell the farmer that, "This is terrific fertiliser," and it actually is a residue of an industrial process, and I think there was some discussion about this in previous days that you've had. So we have a regulation called the Residue Wastes Regulation, which essentially lists quite a broad range of materials which, if they come from an industrial source, may not be applied to land unless an exemption is provided; and we have in place an extensive list of exemptions already of a generic nature, so you know, fly ash is one of those things that is exempt from the regulation.

We've got a system where we will also recognise any exemptions or assessments done in Victoria or Queensland, that they will automatically apply in New South Wales. We also have a system where people can come in and propose a material and say that they would like to see that used for land. Right now we don't have any pending applications from anyone, so there is no delay in getting those exemptions. We have a few people who are talking to us about lodging one and we'll deal with them when they come in.

One of the other things that we're doing is, under reforms to our legislation we've identified a way of thinking about the potential for use of materials that on the one hand needn't be caught up in the regulatory system of waste but on the other hand could have detrimental environmental impacts. We call this the three F's, the fuel, fertilisers and fill - regulatory approaches where we say materials which are to be used for those purposes are considered wastes unless they get one of these exemptions. Under that scheme we can provide both generic exemptions and specific exemptions for materials and, when exempt, they're no longer considered to be a waste. We'll set up a system that allows people to come in to do those things.

It's really important that that system exists because, for example, there's a lot of pressure: people wanting to use materials - non-standard fuels we call them - to generate energy, and that's terrific. Why not use some of those materials to generate electricity? But we get proposals that range from materials that are fairly predictable, they don't have contaminants in them, they're a perfectly satisfactory substitute for other fuels and they would be able to get an exemption, but we also get

people saying, "Well, we'd like to bring in whatever we happen to come across and just shove it in the boiler," and what happens is the pollution control equipment for air pollution is designed to recover certain pollutants or to control certain pollutants, and it just simply won't work - controlling other pollutants that are quite easily generated from when material that comes in is contaminated.

People may well have bag house on the stack and that will be particulate material, but it won't do anything if there are complex organic pollutants that go out into the atmosphere, and those boilers and pollution control equipment were never designed to be able to control those substances. That's why we have got this system to assess if people want to use something for energy. Essentially, it is a "guilty until proven innocent" approach, but there are plenty of ways to be shown innocent and, once innocent, it's no longer a waste, it's no longer caught up in the regulatory system.

MR WEICKHARDT: Can I just raise an issue again that the Cement Industry Association raised, saying that they had done trials at a cement kiln at Berrima in the use of tyres in that cement kiln, which is an application permitted in other states. They claim they met all the EPA requirements for emissions. There were numerous trials done, and yet they ultimately were refused permission to do this because of what they saw as obstruction by the state government.

MR SMITH: Well, I would take a completely different view in that situation. Trials were undertaken, but I think ultimately what was sought was a very broad authorisation for a very wide range of materials that had not been part of the tests, and so I think there's quite a bit more to that story than has been put to you so far. I'd be happy to talk to you a bit more about that if you wish to follow it up another time.

MR WEICKHARDT: Right. But do you accept that cement kilns are an area where some of this alternative fuel can be disposed of safely?

MR SMITH: Yes. We're not committed to requiring people to burn coal to produce heat to make cement, so if there are any other materials and it can be done safely, and demonstrably safely, because people live around cement kilns and they want to know what's in the air that they breathe - - -

MR WEICKHARDT: Sure. That's entirely legitimate.

MR SMITH: Yes. If people can demonstrate that those materials will be safe then we don't have a big problem with that. There's a new policy document that's available to people to guide them on how that assessment process will take place.

MR WEICKHARDT: You make a comment about the recycling of C and D

materials and the fact that they're actually quite cost-effective to recycle, particularly because some of the haul rates are a lot closer than quarries. Again it's been put to us, perhaps by those with vested interests, that one of the problems in a number of states - and I can't remember whether New South Wales was particularly associated here - is that the state or local government regulations permit recycling facilities that are below a certain tonnage, 20 or 30 thousand tonnes per annum, which are located close to centres, but when somebody wants to put a large, permanent, professionally managed centre in, they are forced out a long way from the centre and that makes it uneconomic. Can you talk to us about the general sort of infrastructure planning and the facility planning ideas that you've got for recycling depots, for AWTs and all those things, because this seems to raise a whole lot of issues. Nobody wants them in their backyard and yet, to be cost-effective, some of these recycling facilities have to be close to the centres.

MR ROGERS: I'm not aware of the particular one you're talking about, but we did have a substantial issue over a commercial sorting facility where the council refused permission, and it in fact went to court. The siting of these things is always a problem and clearly people do not want waste facilities in their backyard, despite the fact that they create the waste. The metropolitan strategy will have underneath it some work on the siting of infrastructure - work which is being done by the Department of Planning, so I'm not in a position to unveil it to you. It is a recognised problem that certainly all sorts of waste-sorting facilities, and even what we who deal with them would regard as a relatively simple industrial facility to sort and clean material, once it is called a waste facility it engenders local politics. You were mentioning SSROC before. Yes, it is one of the issues that councils often find difficult to deal with when their residents say, "No, we don't want it." So there is some work being done at state level on identifying the needs and setting some parameters around how we might do it, particularly for ones of state significance.

I think the other thing we're starting to see is more on-site recycling, particularly in construction and demolition in Sydney. We're actually seeing more on-site recycling, where the concrete is actually crushed while you're doing the building work and it goes back into the drainage and landscaping. That may well become more a pattern.

MR WEICKHARDT: Provided it meets all the requirements.

MR ROGERS: Yes, but I'm not particularly aware of construction and demolition problems in Sydney. I'm more aware of it in the other two sorts of areas, although there have been some - let me say this is a low-capital area and there have been some operations which have been subject to regulatory oversight very tightly, because it's the sort of thing where you can get a site, pile a lot of material, and it can cause a problem fairly quickly.

MR SMITH: Even just walk away from it.

MR ROGERS: Yes.

MR SMITH: One of the things we have done, just to help, is we've changed the way that those facilities are classified under our legislation so that they're not under the heading of "waste" any more; they're more under sort of general industrial classifications.

MR WEICKHARDT: Okay. An issue was raised with us yesterday that you may be well familiar with, but it sounded a bit bizarre. It comes back to this issue of where some of this regulation is made, but the point was being made that when you look at the sort of targets that New South Wales have set and, I suppose, the trajectories and projections of current achievement, construction and demolition, you would say, is on the right sort of trajectory. Municipal waste is probably sort of "more or less" - more to be done, but sort of looks hopeful. It's commercial and industrial that looks nowhere near achieving the target, and that's an area where skips are used, and somebody who presented here yesterday expressed a lot of frustration that, to get people to pre-sort, you need appropriate policy for skips, and I think they said there were 40 different regulations affecting the use of skips in Sydney.

MR SMITH: Really? I'm not aware of that.

MR WEICKHARDT: From different councils.

MR SMITH: You mean each council has got a different requirement?

MR WEICKHARDT: Correct.

MR SMITH: Okay.

MR WEICKHARDT: And the huge cost of compliance and lack of ability to standardise, and that that was itself frustrating separation up-front.

MR SMITH: Yes.

MR ROGERS: The commercial waste stream in Sydney is broken into a whole stack of different parts, and I have to say that the biggest problem in addressing it is the diversity of it. A very large proportion of commercial businesses have no waste service. They take it home and use the street bin or use somebody else's. You then go through to 40-storey office towers, which have quite different outcomes. It's not just the question of what councils do with skip bins, it's the fact that it is a very

price-sensitive outcome. We are working with a number of the large property managers to try to improve the infrastructure in office buildings. But as I'm quite sure anyone will tell you, when they get a contract it comes down to what price we can haul the stuff out for.

Lots of buildings are not designed for multiple bins in their loading docks, and you need constant retraining of the cleaners to make sure that all the bins don't go into one once you've got the infrastructure in place. But there is no silver bullet for commercial. As I say, we've done some work at transfer stations which tells us that there are substantial opportunities. We know that there are commercial MRFs coming on stream in Sydney.

One of the things about the target is we always said progress wouldn't be linear. Something like a GRL plan puts 170,000 processing tonnes into the market in a single year. From looking around at what's going on, we are anticipating a better outcome in the commercial sector in the next few years. Now, that won't take us to the target. We'll need more refinement. It's going to be a matter of chipping away. But if you'd like a half-day to talk about commercial I'm happy to give it, but it is a very variegated part of the sector and I'm not going to get time to do it.

MR SMITH: Can I just quickly - a couple of waste service providers have said to me that they think the changes in the levy will enable them to compete with a different kind of collection service, whereas at the moment, because those costs are a very small part of the business cost, it's not a very important thing for that company. You know, all they do is take the cheapest quote, so they're not interested.

MR WEICKHARDT: Yes, okay. Unfortunately we're already out of time and I've still got a lot of questions on my list. But can I just raise one last one that the Australian Electrical and Electronic Manufacturers Association have raised in their submission. They're going to appear later this morning. They express concern that the correct policies for managing disposal and end-of-life recovery of electrical goods is something that they believe has to be handled and attacked on a national basis. They've said that they in the main are seeing those sort of discussions occur that way, but they're concerned that New South Wales is playing on ahead with some unilateral action on electrical goods. Do you have any comment or reaction on that?

MR ROGERS: I'm pleased you raised this because I was going to if you didn't. The New South Wales government has expressed on many occasions its preference for a national scheme. We have a series of wastes about which we're concerned. We've made that process perfectly public. Electrical goods, computers, packaging - they're all up there in the top end. The difficulty with national schemes is they tend to be slow to get along and I have to say that product stewardship schemes for industry take commitment on the industry side as well.

New South Wales, in saying that it will go alone, is merely expressing frustration at the pace of progress at the national level, and the minister has on many occasions said we want a national scheme but we are not afraid to do something in the state if we can't get one. I think the issue is that we're seeing some movement in the state. Whether or not that's prodded by the fact that we will go alone if we need to - but we would encourage a better national outcome than we've been getting in the last few years. It needs both the Commonwealth and the states to play their part in coming to the table with it. We are anxious not to repeat some of the high-cost outcomes that we've seen in other places and we need something that's tailored for the geography and size of the Australian market. But we have engaged with lots of industry in terms of those sorts of discussions and would like to see it proceed on a joint and productive basis.

MR SMITH: Can we just add, one of the dynamics of these sorts of things is that there must - I think that there are some people who have very weird ideas about the efficacy of voluntary measures alone. I mean, the idea that voluntary measures would be sufficient to deal with free-rider issues which mean that there is - I mean, we talk to industries where, of the people they represent - 95 per cent of the sales - say, "We want to do a good thing here. We want to have our product managed through its life cycle and all the rest of it, but we just simply cannot run down our competitive position if the 5 per cent won't play ball." Only the government can address that problem. If a voluntary thing would work it would have already worked, I think. So the evidence is quite consistently when we have voluntary or unenforceable things that they don't work.

MR WEICKHARDT: I told a lie saying that was my last question. Sorry. I found one more that I did want to put to you. A number of people have put to us concerns that the Sydney market for waste is at the moment distorted by what they're concerned about: the market power issues with WSN. I'm sure that's not a new thing to you.

MR SMITH: No.

MR WEICKHARDT: It seems those people have not actually made a formal competitive neutrality complaint because they thought that WSN was about to be privatised. Are you able to say anything about the likely time scale of that and whether or not, if it is privatised, whether or not there is any thought about splitting some parts of WSN up in terms of trying to tackle that issue of market power?

MR SMITH: I'm afraid I can't say anything about that because we're the environment department and we don't make those decisions. Our job is to regulate that from an environmental perspective, so we focus on doing that in an absolutely

impartial way.

MR WEICKHARDT: But do you have any concern about whether or not those points that have been raised to us are causing problems in the Sydney waste area?

MR SMITH: I guess we would always rely on the ACCC to deal with economic competitive issues because that's not our area of expertise. I suppose what's been put to us over the years at various times is that there might be some kind of favour given to the government-owned waste operator in terms of its environmental performance. We would emphatically deny that to be the case. We unfortunately have to regularly prosecute them on various issues, so we would say that's not true. That's all we can say on that.

MR ROGERS: I mean, the other thing is that there's been a significant change in the market since Collex opened Woodlawn, so that you actually have a real competitor in the putrescible waste market. There are lots more competitors in the non-putrescible waste market. It doesn't have, as I understand it, a non-putrescible waste landfill. So there is competition but they're certainly a large market player.

MR WEICKHARDT: Yes. Why is there the limitation on how much Woodlawn can bid for and take?

MR ROGERS: There's a limitation on what all landfills can take.

MR WEICKHARDT: I see.

MR ROGERS: Putrescible landfills all have limitations on their planned capacity.

MR WEICKHARDT: I see.

MR SMITH: That's actually determined at the planning approval process, taking into account the impacts that will arise in operation.

MR WEICKHARDT: All right. Look, thank you very much indeed. I'm sorry we've taken a bit longer than allocated but it's a very important topic. Thank you for your input and for your participation.

MR SMITH: It's a pleasure. I'm happy to answer follow-up matters as you wish.

MR WEICKHARDT: Thank you. We'll just adjourn for about two minutes and then we have the Ausasia Link Pty Ltd.

MR WEICKHARDT: All right. We'll resume proceedings. Our next participant is Mr Neil Thomson from Ausasia Link Pty Ltd. If you could give your name and position and organisation for the record, please?

MR THOMSON: Yes. It's Neil Thomson, director of Ausasia Link Pty Ltd.

MR WEICKHARDT: Thank you. Now, you've made two submissions which you should assume I've read. But if you want to make some general introductory comments that would be helpful.

MR THOMSON: The point that I would make is we're merely a supplier. We think we have some contributions to make in terms of recovering putrescible wastes. As a company we are the marketing arm of a Norwegian company called BioBag, which operates in 20 countries essentially through people like ourselves named as partners. Now, BioBag has, as I say, operations in 20 countries. There are something like 3000 communities using a system for collecting household kitchen organics throughout the world. Many of them are in northern Europe but not all, and we have through local councils in New South Wales, South Australia and in New Zealand participated in trials. Essentially what we're doing is taking a very simple system. Perhaps I'll go back one step.

Our view is based on the fact that we should be getting putrescibles out of landfill, particularly in a continent like Australia where we have poor soils and issues of water, et cetera. It's a resource that should be pulled out of landfill and turned into a valuable commodity, and I am sure that is a very common view. Where we come from is that we use a biodegradable material called matter B which is available to other companies as well. Now, matter B is based on corn starch, maize starch, but one of its characteristics is that it is a breathable film, rather like a Gore-Tex.

One of the problems with collecting putrescible waste is that if you put it in the typical closed bin then you get problems of anaerobic fermentation, a stink, leachate, et cetera, and it's difficult to handle. I will just dig this out. I've brought one along with me so you can see what we're looking at. It's a little bin which has got ventilation and you use the bag. Two things happen: this bag will allow the waste to breathe and, of course, the ventilation in the bin encourages that breathability. The result of that is that you virtually eliminate - not entirely, but virtually eliminate smells and leachate. The material loses weight and volume. A test conducted at the Norwegian agricultural university shows that if you leave material in one of these bins for one week, the actual loss of weight - which is principally through water and volume - is 42 per cent.

Of course, that won't happen in a typical household situation, but it's an indication of the efficiency in the reduction of moisture of weight. Of course, that

carries through into collection costs and so on, because you're actually hauling less product. But the key to the system is that if you want to get good quality waste out of the kitchen - and it could be a commercial kitchen, too - you've got to make sure you have an efficient separation and low contamination. The way you do that is by giving people a very simple tool - and this is all it is; it's a very simple tool. So if it doesn't smell, or smells very little, you can avoid unpleasant handling and you reduce the need to wash - I mean, all this needs is a very quick swill from time to time - then people will cooperate.

The experience overseas and so far in the trials which are going on in Australia - and I'll pause here - is that the normal success rate is to obtain 90 per cent or more of the available household waste. What I mean by that is of the total amount available, typically recover 90 per cent, which comes straight out of the residual waste stream.

MR WEICKHARDT: This is the putrescible part?

MR THOMSON: That's correct, yes. So typically things like carrot peelings, potato - it could be meat, fish, et cetera - which of course is terrific because you're then left with only 10 per cent or so. Currently there's a trial going on in Burnside, South Australia. No results have been written up yet because the trial doesn't complete until the end of this month, but preliminary results suggest that they are recovering 93 per cent of the available waste from the participating households. In Christchurch there should be a report written up within the next four to five weeks - Christchurch, New Zealand, that is - and the result was about 90 per cent. So that's consistent with what has been found elsewhere.

The other point is that the contamination rate with foreign matter such as plastic bags, et cetera, is typically very low; typically well under 1 per cent. That means you can then get a high-quality compost product into the compost. All we're saying is that the concept of a ventilated bin and using the characteristics of material, is another tool for the effective recovery of household putrescibles and, indeed, commercial putrescible waste. There is no reason at all, in fact, why it can't be used elsewhere. Just from the point of view - obviously I'm here because I have a commercial interest but there's absolutely nothing whatever to stop other people producing the same product or, indeed, a bin.

MR WEICKHARDT: In the trials that have been done in Europe and elsewhere, what does the householder do after they've filled up one of those bags?

MR THOMSON: Typically, where you have a green organics collection, which is very common in Australia, you then fill up the bag and then drop it into the outside green organics container.

MR WEICKHARDT: Even if it contains food scraps?

MR THOMSON: Yes, that's right. You tie the bag, drop it into the container. In Adelaide they were using a two-weekly collection service. This trial has been running since September, so it has run right through the hot period of December, January and February, and it certainly was hot in Adelaide. I went to an outdoor wedding when the temperature was 46 degrees. But in the last report I had, there had been absolutely no complaints about odour or anything else.

MR WEICKHARDT: One of the things that's claimed in terms of some of the alternative waste treatment of putrescible waste is that they get a lot of methane capture. What actually happens as this material, I guess, reduces in weight and volume? Are there greenhouse gases emitted?

MR THOMSON: No. What is happening in our case is that it is a drying effect. Because this is a membrane - I think the best analogy would be, say, a Gore-Tex - what is happening is that moisture is evaporated - well, it's not actually evaporating, but it is moving through the membrane, so at that stage there is nothing happening. In fact, it goes dry - it goes drier. Of course, when you go to the composting process, then it breaks down into CO_2, water and humus. I mean, we're not - it's an aerobic process as opposed to an anaerobic process.

MR WEICKHARDT: What are the next steps for you in this journey?

MR THOMSON: Our journey, as we have been working very hard to talk to different municipalities who are looking at green waste collection - and we are getting quite a ready audience, to be honest - obviously it depends on infrastructure. There are questions about how you treat the compost. EPAs really are very unhappy about the idea of processing food wastes in open windrows and therefore there usually has to be some kind of stabilisation process before it would go on to a windrow. I have to say that in fact there appear to be no problems with open windrowing, but that's not going to change. So there has to be infrastructure to do that.

MR WEICKHARDT: Right, okay. Thank you very much indeed. It's been very interesting and we will follow with interest your progress. We are going to adjourn briefly and the next participant is the Australian Electrical and Electronic Manufacturers Association. We will talk to them.

MR WEICKHARDT: The Australian Electrical and Electronic Manufacturers Association. I'll get you to introduce yourselves. If you could give your name, position and the capacity in which you are appearing today, please.

MR DOUGLAS: Certainly. Bryan Douglas. I am deputy chief executive of AEEMA.

MR DOWNIE: Michael Downie from AEEMA and the Lighting Council and general manager of Philips Lighting.

MR FORTE: Ian Forte from Electrolux Home Products, appliance manufacturers, and member of AEEMA.

MR FOGARTY: Terry Fogarty from Fisher and Paykel and member of AEEMA.

MR DOUGLAS: Just to clarify what my colleague Michael said, Lighting Council Australia is a forum of AEEMA, so it's just part of AEEMA.

MR WEICKHARDT: Okay, thank you. You should assume that we have read your submission, but if you want to make any introductory remarks that's fine, please go ahead.

MR DOUGLAS: Just to perhaps reinforce a few key points - they appear towards the front end of the submission - we say that any product stewardship scheme must be national in nature. It's counterproductive, we believe, in individual states being at variance with a national direction. We believe that any candidate product for product stewardship should be subject to a rigorous regulatory impact statement process. We believe that if regulation is introduced for product stewardship, it must be binding on all suppliers. It must cover the entire market.

We believe that orphaned and historical product should not be the sole responsibility of industry, that it is really a community responsibility. By that we suggest that not only suppliers but government and consumers also have a role to play. Finally, we believe that government should not use product stewardship to recover costs. Just briefly, that concludes our introductory remarks.

MR WEICKHARDT: Thank you. Any others of you want to say anything at this stage? No? Okay, thank you. You mentioned at the start that AEEMA represents some 400 infrastructure providers for Australia's ICT, electronics and electrical manufacturing industries. I may have been not paying enough attention, but you didn't really comment on any of the ICT areas in your submission in terms of proposals, and yet a lot of concern has been expressed to us by various people about ICT products and their disposal. Would you like to say what your position is on

those?

MR DOUGLAS: Yes. We typically do not represent the white box industry. That is the province of another industry association. That is the Australian Information Industry Association. We have purposefully not gone down the direction of addressing computers, because typically our members do not supply that product. With one or two exceptions, we're mostly in the electronics industry and in systems; electronic systems; for example, defence electronics, in which there is a lot of ICT. I guess by default the AIIA, the Australian Information Industry Association, has been the spokesperson, if you like, for computers.

MR WEICKHARDT: What about mobile phones?

MR DOUGLAS: Again our members typically do not represent the mobile phone industry. That is the province of the Australian Mobile Telecommunications Association; AMTA.

MR WEICKHARDT: This might be getting a bit repetitive, but televisions aren't mentioned either. Do you cover televisions?

MR DOUGLAS: Televisions are no longer made in this country, and again, with one exception - one or two exceptions - we do not cover the supply of televisions. That is the province of the Consumer Electronics Suppliers Association, or CESA.

MR FOGARTY: We did talk with the television people about our submission and they opted to have their own submission.

MR WEICKHARDT: Okay.

MR FOGARTY: If you're really clever, in there we left one mistake because we left televisions in there in one thing; but that was just to see if you were paying attention.

MR WEICKHARDT: I did see it mentioned once, but not very much.

MR FOGARTY: Yes, well, you're right. That was because we had initially done our presentation with them and they decided to do their own.

MR WEICKHARDT: Just to avoid me continuing to ask these silly questions, what products do you cover?

MR DOUGLAS: Okay, well, we cover most electrical goods, electrical products. For example, lighting products, small and large appliances, electrical accessories,

hazardous area equipment. On the electronics side we cover systems and software design, defence electronics. Of course there is quite a bit of ICT embedded in that, but they tend to be systems rather than individual products.

MR WEICKHARDT: You have said in your comment that:

> AEEMA rejects the assertion that electronics and electrical industries can alone sustain the cost burden of recycling orphan product.

Local government tell us that they can't bear the burden of doing various things. In this it seems a bit bizarre to me that ultimately it's the consumer that pays here and so it's just a question of where the consumer pays. What is it that you are specifically proposing should be done in regard to orphan products? I suppose some could say that the industry failing to agree with this and failing to agree with government, is a good reason for doing nothing. Do you have a specific proposal that would allow us to move forward in this area?

MR FOGARTY: That was in our submission and we refer to what happened in Europe, where the government said that they would take responsibility for a set number of years, and the manufacturers would then have to take responsibility for their product from a certain date. We said that that was a lot more equitable. You're quite correct that eventually someone has to pay and it is going to be the consumer. If you've sold the product 10 years ago, it's a bit hard to come back and ask for some extra money for looking after that orphan product now. You can do it for new product you're selling now, you can put aside money, but it's hard to get that money there; whereas, if you are delivering it to a local council depot, they can charge a fee for that so they can get some money in that situation.

We feel that saying you must be responsible for orphan product, it discriminates against design for recycling at end of life, because what happens is whatever fee you charge, it's probably being used for orphan product. Therefore, if I design a brilliant refrigerator which is going to cost, you know, nothing to recycle at end of life, I'm still paying the standard fee because 80 per cent of that is going to be covering orphan product. You sort of contradict one thing - you know, design the product for the environment, for disassembly, all those things, now, which is going to cost you - so you do that now, but you won't get the benefit for 15 or 20 years; but in the meantime you've got to pay for the orphan product. Business-wise, you don't do it.

MR WEICKHARDT: There are lots of examples where businesses had to pay the costs of legacy issues. I understand the point you're making. It could equally well be said that if you collect the cash today, you can use it to actually cope with the disposal of product today. In 10 years' time you'll collect the cash for a product that

won't be disposed of for 10 years. You can use that to dispose of something that is presented today. I think there are different ways of tackling that. I'm just wondering whether or not you've reached any agreement with the government as a way forward here or are you still in a stand-off?

MR FOGARTY: The major focus of our submission has been on electrical appliances because they've been identified as a waste of concern by New South Wales government. Therefore, that's why that is the focus of our submission. We would argue that the product should not be a waste of concern. I'm not quite too sure how we ended up being a waste of concern, but we can't work out if there's any way of ever getting off being a waste of concern. I guess that's our primary push. It's saying if the recycling is happening now, why is it there as a waste of concern? If we're a waste of concern and you had to have a levy and all of those things, then discuss that at that point. But I guess what we're saying is, use the data now and find out whether it should be a waste of concern.

MR DOUGLAS: We're arguing that the case has not been made for having these products being a waste of concern. We are yet to see a regulatory impact statement, we're yet to see the data that suggests or proves that they are generally a waste of concern.

MR WEICKHARDT: Have you been given any explanation of why they've been listed that way?

MR FORTE: I don't know that we have. But one point is that the European definition of "we" covers a huge category of products, and we believe that there's a need to segment those into various groups, so obviously a large appliance with a large metal content is a different situation to a small appliance such as a toaster or an iron and should be treated differently.

MR DOUGLAS: And similarly lighting products.

MR FOGARTY: The only thing that was raised by DEC was concern about the flame retardants in the plastics. Their concern was that that shouldn't go to landfill because they were worried about landfills catching fire. That's the only answer we've got.

MR WEICKHARDT: They were worried that landfills were going to catch fire because flame retardant product was put in them?

MR FOGARTY: No. If flame retardant product is in a landfill and the landfill catches fire, then you'll get toxic material off it.

MR FORTE: Flame retardants don't prevent fire unfortunately. They just restrict it.

MR FOGARTY: That burning driftwood with lots of salt water on it would be more dangerous. I decided it wasn't a satisfactory answer to them. But, yes, that was their answer.

MR WEICKHARDT: You cite some scientific research, showing that most electrical products don't have major landfill externalities. Is this contested? Are there people who would take a contrary view?

MR FORTE: I would be amazed if there weren't.

MR DOUGLAS: Certainly the argument has been put that they are toxic, but there is a good body of evidence to suggest that they're not. What we're saying, I think, is that the jury is still out.

MR WEICKHARDT: Are you talking particularly about the flame retardants now, or just generally?

MR FORTE: That's in general. Lead is another example in these products.

MR FOGARTY: It's the sort of thing that everyone said, "You can't have lead in it." Now there's a whole body of evidence which is suggesting that lead on circuit boards - small quantities - is a lot better for the overall environment than using tin and silver ones, higher temperatures, more failures; worse on the environment getting the material than coping with the lead that's in the printed circuit board. There's been a change over the last couple of years. A number of companies in Japan went to lead-free solder and they're now finding that that's a real problem for them.

MR WEICKHARDT: In terms of failures.

MR FORTE: Yes. The early failure of these products is contributing more to waste generation than the problems associated with the small amounts of lead in them, is the argument. Similarly, for flame retardants in plastics: the increased level of safety that these flame retardants give often outweigh the disposal problems.

MR WEICKHARDT: I did remark to somebody else that, having been involved in the plastics industry and wrestled with the issue of how to meet flame retardant standards, it was bizarre to me that there was now an instrumentality saying this was all evil and they should be removed. It's an example of where a good-intentioned approach causes some other reaction.

MR FOGARTY: I think the answer there is that everyone just says "brominated flame retardants" and everyone cringes and hides in the corner. There are some good ones and there are some bad ones and, realistically, there are some that should be banned, and they are banned, and people aren't using them. So you shouldn't just put them all into the one category.

MR WEICKHARDT: Given the fact that you're saying that some of these products shouldn't be a waste of concern, and yet they're listed that way - - -

MR DOUGLAS: They're listed that way by one government.

MR WEICKHARDT: By one government?

MR DOUGLAS: By one jurisdiction.

MR WEICKHARDT: What have you done to try and present the best scientific evidence of studies elsewhere in the world that demonstrates that you think this is an inappropriate classification? Have you presented a stack of what you see as the relevant and authoritative research in this area to the New South Wales government?

MR FOGARTY: We tried to do that two years ago, and that was specifically my company. At that stage, I've got to be honest and say, we thought that the case was well made and that it would be taken off, but we've now found out that there is no method of taking it off being a waste of concern. There was no way that we could challenge that. As an industry association, this inquiry has focused our attention on it, and we're having a meeting next week to discuss exactly what you've just suggested, which is how we are going to bring all this stuff together as a strategy. But, no, we have not done it very successfully in the past.

MR WEICKHARDT: you were told by the New South Wales government that, once they've classified it, they couldn't declassify it?

MR FOGARTY: That's true. PVC people were told the same thing - "PVCs are on there" -and it doesn't matter what they do, they're going to be there for eternity.

MR WEICKHARDT: I understand that the Consumer and Electronics Suppliers Association have actually set up or proposed a product stewardship program for television sets. Do you have any views as to whether or not that's a good model and whether or not you could adopt that sort of thing, or are there any lessons from that exercise that are relevant to some of the products in your area?

MR FOGARTY: Yes. We're obviously keeping in close touch with them and learning from them. The difficulty that they're having with their model is it's a bit

like the cart before the horse. Before there is safety net legislation, they're trying to bring members on board, and they're finding difficulty, in that the members have contributed to the start-up but there's no safety net. It's going to be there, and it's being worked on, but at the moment there is no imperative on people putting up money and being members.

MR WEICKHARDT: It doesn't have any sort of co-regulatory approach?

MR FOGARTY: The lesson that we've learned from that is that you need the safety net legislation there. You need it to catch every person, and then you set up your organisation. I know that's a bit difficult because the government want some action to happen straightaway. But what they're wrestling with at the moment is, why should they invest money when the other half of industry is not investing any money and they have a competitive advantage in the marketplace?

MR DOUGLAS: That is particularly the case where you're dealing with multinational companies. Most of the companies that we're talking about are multinational companies with head offices elsewhere. There are some exceptions obviously within AEEMA, but head offices in Tokyo or Seoul generally don't make these decisions unless they see legislation.

MR WEICKHARDT: And yet, those multinational companies will have seen actions taken elsewhere around the world - some good; some bad; some ugly - and I guess as a generalisation I would say that governments tend to move to unilateral action when they see industry continue to squabble and don't propose a solution that meets their requirement. I would have thought that the risk of New South Wales acting unilaterally is greater when they don't get a solution that they think will actually meet their needs, either because they can't agree with the other states or because the industry can't agree with itself. Are you conscious of that as a risk?

MR FOGARTY: Some of the ones that I've spoken to have said that that's a risk, but they've also said their experience overseas is - by the time everyone gets their act together we've saved 20, 30, 40 thousand dollars, and why on earth are we wasting that money until the government decides what they're going to do? So there have been good examples overseas and there have been some bad examples where it's taken five years to make their mind up. So they're saying why on earth pay out the money for five years when you don't have to?

MR WEICKHARDT: So what are the best examples we can learn from overseas in your industries? Which countries and what sorts of schemes?

MR DOUGLAS: Well, Europe is a bad example. It's a poor example for introduction of waste in an electrical, electronic - the WEEE directive. They have

yet to sort out many problems. There are different jurisdictions in Europe. Different countries have got different requirements. I guess the lesson for us is that we don't want to go down the European path.

MR DOWNIE: Nor the North American approach either, where each state is doing its separate thing, which will have grave impacts on each of their industries.

MR FORTE: That's an important point; that any regulatory issues that are mandated need to be universal. You know, we can't afford to have different states and different jurisdictions doing - - -

MR WEICKHARDT: I'm sure that the manufacturers in Europe and North America are still saying that and yet you've got an outcome that doesn't look sensible. What are you doing in Australia to take some sort of leadership that will influence the regulators to say, "That's a good idea. We'll go with that and it will be national," or are you just saying, "It's got to be national. You guys make your own mind up and we're going to sit on our hands until that happens"?

MR DOUGLAS: We're encouraging the New South Wales government - all jurisdictions - to work through the national approach. There is a national scheme and that's through a ministerial council. We believe that's the appropriate way to go.

MR WEICKHARDT: But the ministerial council, I suspect, reacts to proposals and propositions that are put to them. Are you taking some leadership role to say, "This is the scheme that we, as an industry, think would service your needs and also service the nation's needs and meet our needs"?

MR FOGARTY: I think the point that we're making initially is there is an existing scheme going on. It's not formal. It is extremely effective. It is private enterprise working without any interference. We're getting recycling rates of up to 80 per cent without any intervention at all. So what we're saying is - - -

MR WEICKHARDT: Can I just query that? You cited a case study with refrigerators which quoted that and yet you then talk about covering a multiplicity of electrical appliances. I assume you're not telling me that you get 80 per cent recycling of hair dryers or toasters?

MR DOUGLAS: We are talking about larger clients. Terry is speaking about larger clients.

MR FOGARTY: But that's a perfect point, Bryan. What we're trying to say is that if you just talk about electrical appliances, there are hair dryers and there are large ones. It tends to be that the large ones - and refrigerators are seen as an icon product.

Everyone is worried about it and they keep using that expression as if it represents the whole of the appliance group, whereas realistically hair dryers and toasters and irons are completely different. What you've got to end up with is a tailored response. Don't just say everything with a plug on it including toys is going to be the same as a refrigerator or a washing machine.

I guess what we're saying is large domestic appliances are already being recycled. The metal recyclers are doing an excellent job. There is value in it. They've set up their shredding facilities. They are working efficiently. They are recovering material. It's something that should be put up as an example and encouraged. What we'll be saying is, "Can we make it better for the recyclers to encourage them to achieve more recycling?" Now, we understand that if you end up going from 90 to 95 per cent you could end up doubling the cost of recycling and everything else, but if we're doing 80 per cent already and then making money without any government intervention, let's encourage it and don't let government intervention make their businesses less efficient.

MR DOUGLAS: In the other areas - lighting in particular, which we've addressed in the submission - we're still investigating. We have not closed our minds, so to speak, but, as Terry says, each product needs to be treated in isolation. You cannot lump lighting in with large appliances. So we are still investigating lighting. We're investigating lamps. We're investigating batteries which go into emergency luminaires. When that process is complete we will talk to government.

MR DOWNIE: But at industry level we've set up working groups that are looking at that at the moment, and options are starting to come onto the table. We're at the stage now where we can present that to government.

MR WEICKHARDT: Given the fact that, as you say, there is activity in a lot of these areas in Europe and North America, how long do you propose to keep investigating before you come forward with some sort of proposals?

MR DOUGLAS: We believe we're fairly close now. We've been working on this for over a year and we believe we're fairly close to it. We face unique problems in Australia. I mean, our geography - the distances in transporting product to central locations. It's a very different situation to North America and Europe. So we do face unique problems in this country.

MR WEICKHARDT: You might just like to comment, going back to the earlier remark about refrigerators and recycling and what you could do to make it easier for recyclers. I mean, we had a discussion with a number of people yesterday about at what point the consumer should be asked to pay for recycling and recovery and whether or not collecting some form of levy up-front was appropriate, whether or not

imposing some sort of fee at the disposal point was relevant. Somebody made the comment that you've got to get a signal back to manufacturers about design features which make recycling more difficult and make recovery more difficult. In what way do you feel that that signal ought to be conveyed? If we go with the refrigerator example, if the refrigerator design is such that it makes recycling and recovery more problematic, how should that signal be conveyed back to the designer of the refrigerator to get a better outcome?

MR FOGARTY: Yes, I've heard all those sorts of remarks. A polite response might be necessary here. Would you buy a car that has got metal seats because metal is a lot better for recycling but the cushion on the seat really is not good? The metal recyclers don't like that, so could you get rid of those out of cars and we're all going to sit on hard, metal seats. We may design a car. The idea is that somebody is going to buy it. The same thing with a refrigerator. One of the things that has happened there is lot of the older refrigerators used to have metal liners as well. The problem with those is energy efficiency. Clearly it conducts the heat away. So they're plastic and, guess what, we've got thicker insulation now because we're complying with minimum energy performance standards. This is good because a refrigerator now uses half the energy than one was using 10 years ago. So this is good but, hang on a minute, we've sent the wrong signals, because it's not metal and so the metal recyclers are saying, "You're giving the wrong signals, Fisher and Paykel, or Electrolux, because it's less recyclable at the end of life."

MR WEICKHARDT: I think you're using extremes here. Let's try and sort of get back to the real world. There may be situations where a designer has a choice that doesn't impede the efficiency, effectiveness or convenience of an appliance but which does make some recovery either more difficult or not. We were given an example in the container area where PET bottles traditionally have a paper label on them. Suddenly somebody decided they would stick a transparent PVC label on them. The transparent PVC label just made the bottles completely non-recyclable. It may have given some sort of design effect which was marginally different but probably, so far as the consumer was concerned, it was pretty negligible. The question is in that case, how did the signal go back to the PET bottle processor to say, "Don't do that, because you've suddenly condemned all the product that's coming out here to being non-recyclable"?

MR DOWNIE: But that bottle is manufactured or designed in one area and the label is put on in another, so you're talking about two suppliers now instead of the one.

MR WEICKHARDT: Correct, and I'm just saying how do you feel these issues ought to be tackled in a logical sort of way so that the manufacturer and the designer do take some responsibility for the ultimate disposal, as well as the convenience and

the life of the product?

MR FOGARTY: It's already happening. That's why I get frustrated with it. They're not environmental bandits who are designing this, and in our facility we know that our engineering and design staff are very environmentally conscious and are already taking those steps and being very careful. An example would have been, 10 to 12 years ago we changed the foam insulation from an ozone-depleting foam insulation to one that was not. That cost us a couple of million dollars. It would have cost you about the same probably. So there you go: you've got two major manufacturers in Australia and New Zealand who changed the foam insulation for environmental reasons, even though it cost them substantially.

MR WEICKHARDT: You were forced to do that and the whole industry was forced to do that.

MR FOGARTY: No, we can still - and there is still product being imported into Australia with that old insulation, and stuff which is worse.

MR WEICKHARDT: Yes, but I'm talking about voluntary actions there. That was an industry-wide unilateral action which I was intimately involved with. I used to be in the polyurethane business, so let's not go there. Let's talk about actions that your people take to think about disposal and recycling.

MR FOGARTY: That example that I've given you, we were one of the first companies in the world to do that and change, okay? It was presented to the UN when they did their environmental investigation and then it led to other countries saying, "That's the way that we're going to go." That was a case of, it was done for environmental reasons at that time.

MR WEICKHARDT: Not recycling?

MR FOGARTY: It was for recycling at end of life, because at that point then, that's when you're giving off the gases; they are released from the insulation.

MR FORTE: Perhaps if I could just talk a little bit about Electrolux, which has been exposed to the WEEE directive in Europe. One of the problems there is that Electrolux as a company needs more knowledge about the recyclability of the products they make. The information is not there. There's no reliable cost-benefit analysis of recyclability yet available, even in the European arena, and some work has been done on costs of manufacturing products or designing products so that they are easily recyclable. It's a typical exponential-type curve, so that the gains - once you get about an 80 per cent recovery rate you're starting to really impose a lot of cost on the product to be able to make it easily dismantleable. In European figures,

to get to the 80 per cent figure that the WEEE target is for December this year, the cost on a large appliance is going to be something like 12 euros - is Electrolux's estimate - and then to get it to something like 95 per cent, we're looking at another 10 euros to be able to get it to that point.

MR WEICKHARDT: Is the industry in Australia actively talking to government about the lessons that come from that and the optimum level that is sensible in terms of influencing design and recyclability so that you don't push this to the last extreme?

MR FORTE: No. Well, I certainly haven't been personally involved in it. I think the fact that we have to give a report to the New South Wales inquiry on the 31st of this month, we'll be trying to address some of these issues with what data we already have, but it's not easy to come up with these. A lot of it is subjective work.

MR DOUGLAS: I guess the other factor here is that a lot of consumer products, of course, are imported and our ability to influence overseas manufacturers or a single market in a small market like Australia is difficult. You'd be, I'm sure, well aware of that.

MR WEICKHARDT: Absolutely. It seems to me almost futile to think that if we want television sets to be designed in a certain way, the world is going to suddenly jump to attention and redesign them. I guess the question is whether the local manufacturers are therefore saying, "Well, okay, these are the sorts of standards that we could follow. There are sensible international standards," and taking some initiative and leadership in the area.

MR FORTE: We could probably find some examples in our camp where we have adopted some of the better European designs, and certainly Electrolux in Europe is very active in promoting sustainability and waste disposal, so Electrolux as a company has an opportunity to follow what is being done in Europe.

MR WEICKHARDT: Thank you. One issue that was raised by the waste collection people is that, for occupational health and safety reasons, they dislike hard rubbish collection processes, the sort of six-monthly "put your television set or your fridge out on the nature strip" and council come along and collect it. They say that there are a lot of occupational safety and health problems with that. Their comment was that if they could drop that facility they'd love to do so. When asked, "Well, what's the solution for the householder," they said, "Well, there should be some sort of recycling depot that people take the product to themselves," which didn't seem to be very convenient for your grandmother or the little old lady next door.

MR DOUGLAS: It hasn't bothered the ACT government, which forces people to not only deliver them to points but to pay for it.

MR WEICKHARDT: The question, I guess, is: does the industry have any view as to, with these big icon products like a refrigerator, how the product should actually get from the householder at end of life to a recycling point?

MR FOGARTY: If find it interesting that they made that point. We believe at the moment they are making money on those collections.

MR WEICKHARDT: People might make money on it, but if you're getting a lot of safety issues, that doesn't excuse - - -

MR FORTE: There are a number of examples where our delivery contractors, for example, would offer to take the appliance back. We find that we don't have to give any incentive for that. The contractors are able to economically remove the old appliance, put it on their truck, return it to a depot and subsequently get paid money for it. In actual fact, what we find is that some of them will say to the consumer, "Would you like me to take your old fridge away for $10?" so they make even more money out of it, and it's cash in hand I guess.

MR WEICKHARDT: That seems to be a positive suggestion.

MR FORTE: It's a positive thing, and it's already happening to some extent, but it's difficult to put an actual figure on it. I'm not sure whether we've got good data on that.

MR FOGARTY: And I understand the point that you make about occupational health and safety, but I guess my cynical mind is then saying does that mean that they then require two people to do the lifting or whatever, therefore they feel they're not making money from it?

MR WEICKHARDT: I don't know. It may be that the people who deliver fridges are properly trained, have the right equipment and know how to handle them.

MR DOUGLAS: They do. That's correct.

MR WEICKHARDT: And that people who run around on the back of trucks don't, and don't handle them particularly skilfully. I don't know.

MR FOGARTY: I would have thought that was the answer, actually: to have the right equipment to load them.

MR DOUGLAS: And what our evidence has been is that when they have these hard waste collections, normally a day or so beforehand a truck goes around and

tends to pick out most of the metal items anyway. They disappear first off and they leave the garbage and the tree clippings till the end.

MR WEICKHARDT: In your submission you said on page 4 that, "A logical tactical approach endorsed by industry to support this policy platform is" - and your second point is:

> Promote and convince governments to fund programs of responsible consumption alongside responsible production.

Can you tell me what that really means, please?

MR DOUGLAS: What we are saying there is that consumers do have a role. If we are talking about use of plastic bags - not in our industry, of course, but responsible use of plastic bags - it's not just up to industry; it's up to consumers, or the education of consumers that can be a factor - not in all products, but in some products it can be. If a facility was available for consumers - for example, for mobile phones - to dispose of mobile phones through collection points, rather than just putting them in a wheelie bin, consumers need to be educated about that. It's no good having a recycling facility for mobile phone batteries if consumers just throw them into the wheelie bin.

MR WEICKHARDT: It was governments funding programs about responsible consumption that I was intrigued about. Are you suggesting that governments should be telling you how many refrigerators you should own or - - -

MR FOGARTY: At the moment the government is telling you of the energy efficiency on the labelling, yes. I guess, yes, it's responsible consumption which is what they are trying to do on energy labels: to tell you to buy a refrigerator or washing machine which is more energy efficient or more water efficient.

MR WEICKHARDT: I think they are trying to inform you, rather than tell you what you can buy.

MR FOGARTY: Yes.

MR DOUGLAS: Yes, I suppose the other example with refrigerators is having a 20-year-old refrigerator in your garage - in terms of energy efficiency - with just half a dozen bottles of beer in it is not very responsible.

MR WEICKHARDT: You make a comment, saying that current recycling rates in the 70 to 80 per cent mandatory recovery of higher quantities of domestic appliances involves significantly higher marginal cost and yet will likely result in little

additional material recycling. "For these and other reasons in this submission EPR is therefore clearly not an appropriate policy instrument for domestic appliances." Now, I think I've heard that argued for refrigerators. Does this also apply to every other domestic appliance that you people cover?

MR FOGARTY: It would cover the large domestic appliances, which are hot-water services, airconditioners, washing machines, dishwashers and those sort of things. That same debate would not apply to toasters or irons.

MR WEICKHARDT: But you, I think, would argue that they are not products of concern. Is that right?

MR DOUGLAS: That the large ones are not products of concern.

MR WEICKHARDT: The small ones are?

MR DOUGLAS: The jury is out, I guess.

MR FOGARTY: We have not seen any evidence of problems with them, and I don't think the case has been made on the small appliances.

MR DOUGLAS: I mean, the sheer size - the nature of small appliances, almost by definition - we would argue at this stage would preclude them from the list, and the fact that there are generally no identifiable hazards associated with them.

MR FOGARTY: The difference you've got there is that if it can fit in the bin people will take the easy option.

MR WEICKHARDT: Yes. This is an issue as to if a product will fit in a wheelie bin and if there isn't another convenient alternative, people tend to dispose of it.

MR DOUGLAS: Yes.

MR WEICKHARDT: Having been to a number of recycling facilities, it is pretty horrifying to see what actually does go into wheelie bins - car batteries, LPG cylinders, parts of cars, all sorts of things. What is it that you think your industry can do with smaller appliances to actually help (a) educate the owner of those products and (b) provide or help provide some sort of facility that makes correct disposal of products easier? If it's too difficulty one suspects the consumer will simply say, "Why bother? I'll throw it into the wheelie bin because it will fit there."

MR DOUGLAS: Again, I think it depends very much on the product itself and on the intrinsic harm, if you like, of the product. If you are talking about mobile phone

batteries again, we should go to some lengths to educate consumers not to throw them in wheelie bins. If we're talking about a hair dryer, I would suggest, at least at the moment, until we have evidence to the contrary, it is uneconomic to do anything other than throw them in a wheelie bin.

MR WEICKHARDT: Are any of the products in your field of interest ones that you don't think the right disposal mechanism is being used at the moment?

MR DOUGLAS: I guess we'd have to say emergency lighting batteries - and consumers don't dispose of those; they are disposed of typically by electrical contractors or people doing renovations on buildings. That is one of the issues that we're currently grappling with, to come up with an acceptable methodology for disposing of those. They cannot be recycled in this country yet; they have to go to France. But that is one of the issues that we are addressing, particularly in the context of our response to the New South Wales government.

MR WEICKHARDT: Right, okay. That sounds positive.

MR FOGARTY: There is probably one thing we should have added in there, which we didn't do when we were talking about ozone depleting refrigerant gases towards the end. That scheme has actually worked extremely well, in the fact that you had to do it as a Customs declaration. So that means when you're bringing stuff into the country you have to declare if it's got refrigerant gas in there, and you have to pay a fee. That has been the most effective policing regime that we have seen.

I have no idea if Customs is charging the Department for the Environment and Heritage for managing that, or doing that, or providing the information, but that was a classic one where we thought there were 100 suppliers of airconditioners and when they had to do it on the Customs declaration they found about 400 - all of a sudden people were importing stuff into the country. I guess if policing had to come in, that one is the one that we've seen is the most effective, because all this product is being imported, so you have to make a declaration when you bring it into the country.

MR WEICKHARDT: It's easier if most of the developed world has agreed on a standard in those circumstances. That's probably an extreme example where there was a fairly large consensus around the world of which way to go.

MR FOGARTY: Yes, and it was also good because there were about six major suppliers within Australia and they were paying all the fees, but all this other product being brought in was not paying fees, so it certainly was then more consistent and an even playing field. From an industry point of view, you apply for your licence, you get your licence, the Customs agent quotes that and it's really quite non-intrusive in running your business, but you make sure you have to comply. Whilst we disagree

with regulation, that is an example of regulation being brought in and it being a good example.

MR WEICKHARDT: Okay. You highlight this problem of setting an advance recycling fee for products that might not be recyclable for 10 years. You question whether or not this is needed because, in some cases, the system is working and "if it ain't broke, don't fix it." But it appears from what I'm told that the Consumer Electronics Suppliers Association have done just that for televisions.

MR DOUGLAS: Our position would be that it is appropriate for some products and we would certainly - well, are considering advocating that to government for certain products. It does work.

MR WEICKHARDT: What certain products?

MR DOUGLAS: It could be, for example, for emergency luminaire batteries. We don't know. It could be for lamp recycling. One of the problems with fluorescent tubes is that the recycling of a fluorescent tube can cost more than the product itself, and so there could be an argument for an advance recycling fee for fluorescent tubes. My colleague from Philips might want to comment on that.

MR DOWNIE: Yes, it's clearly the case at the moment. We spoke before about the geography of Australia. Moving end-of-life product let's say from Queensland to the only place where they can recycle it, in Melbourne, is quite onerous. By the time you've paid the recycling fee and got it there, you've spent $1 on an 80-cent tube, roughly. Also, in Europe I think they've placed levies on product at point of sale rather than after life, because in the after-life situation what you find - especially consumers will use their garbage bin rather than take them to a depot for recycling.

MR WEICKHARDT: Yes. Until you provide convenient alternatives for people and educate them, that's a real risk, isn't it?

MR DOWNIE: But, as Bryan stated before, they're the sort of initiatives we're looking at in the industry bodies at the moment.

MR WEICKHARDT: All right. Thank you very much indeed for your submission and for your appearance today. We'll just adjourn briefly. Next we have the WMAA New South Wales (COMMPOST).

MR WEICKHARDT: Our next participants are WMAA New South Wales (COMMPOST). If I could just get you to say your name and give your positions under which you're appearing, thank you.

MR EMERY: Tony Emery, chair of COMMPOST New South Wales.

MR NICCOL: And Robert Niccol, deputy chair of COMMPOST New South Wales.

MR WEICKHARDT: You should assume we have read your submission, but if you'd like to make some general comments, that's fine.

MR NICCOL: With respect, you would have had it had we presented it to you prior to today, and I apologise for that, but we will send the formal submission through. In general, what we would like to present here is an overview of where our industry has been in the last 10 years, the current position we're in, the work we've done as an industry and also the work of the state government and federal government, and issues that we have in terms of particularly market barriers with materials that we handle, and where we perhaps have avenues for change in the structure of the market over the next five to 10 years.

First, we'd like to explain that COMMPOST New South Wales is a working group with the Waste Management Association of Australia. The industry itself employs in New South Wales about 650 in compost facilities and, in terms of the tonnages we handle, the New South Wales industry is about a third of the national industry. We process roughly 1.2, 1.3 million tonnes per annum of organic residues. Increasingly over the past 10 years the most significant tonnage in that is green waste, urban green waste in particular. There are about 60 licensed compost facilities. We haven't at the moment determined our economic value, but there is a document that currently values us at a turnover of about $150 million as an industry.

This is probably a key slide, because it will give you an understanding of where we've come, particularly in relation to green waste. In 1996 Pam Allan, who was the then environment minister in New South Wales, proposed a ban on green waste to landfill, and at that point we were processing as an industry about 156,000 tonnes per annum. As you can imagine, all hell broke loose because the industry just wasn't at a point where it could handle the obvious capacity that was going to come out, so we then spent probably two or three years gearing up as an industry in a processing capacity. Two years later we were up to 270,000 tonnes.

We had a bit of a godsend in terms of the Sydney Olympics because in a relatively short space of time post 96 we had a market that was out of all expectations, so we had the capacity to consume pretty much everything we

manufactured within the Sydney market and external to Sydney. That was then followed up with the housing boom, pretty much over the last five years, which has again consumed most of our material, but we realised in probably 2002-2003 that we were reaching a point at which the greater Sydney region was almost at saturation. I think somewhere between 550 and 600 thousand tonnes was the point at which the market started to come under significant pressure and, as processors, where that figure sits we're not quite sure, but I guess supply, demand and price started to come into play around about that 550,000 tonnes, which is the point at which most of us started to feel significant downward pressure on pricing and oversupply.

We then had a couple of years where we've attempted to, with the New South Wales government, get them to gain a greater understanding of our position as an industry. We've had relatively little contact with them in terms of trying to get additional funding or additional system, but I have to say the state government has been very active in promotion of the generation of resource recovery. So at the front end they have been extraordinarily successful in driving recovery systems. It's a very saleable program with the general consumer and with the youth and with local councils. It's been remarkably successful, but I guess as an industry our problem is that, whilst we had the Olympics and the housing boom and the markets that were capable of consuming our volume, we're now at a point where those markets are really under very significant pressure, our volumes are still growing and we're looking really at a point where we need very significant markets outside of the urban amenity market.

We have a New South Wales Processors Group. We put a joint industry statement to the state government. That was accepted, but it hasn't really got us anywhere at the moment. I'm assuming you would have heard of the Compost Australia road map. You may well have heard it in other states.

MR WEICKHARDT: I have seen it referred to several times. I don't know what it actually communicates.

MR NICCOL: Okay. Probably in the last five years the industry has matured quite significantly and we have attempted to get ourselves on a national forum, because we see that there are very direct links between the sorts of products that we manufacture, the source of our raw materials, and national issues in particular but obviously state issues as well, such as water management, salinity, and a direct fit between the rural community in particular and the sorts of materials that we handle. Because we've never really quantified our industry, it's very difficult to go to government and say, "We see a likely fit and we see some concerns that you might have as a federal government, and our concerns in terms of tonnages that we have" - it's very difficult to go to you without quantifying some of those figures.

We got $150,000 funding out of the AusIndustry program. That was matched. That was really a program designed to document nationally where our industries sit, the scale of the industry, the issues that we had in each of the states. We ran two conferences in every capital city plus three regional forums in each state at the end of the program, and really it was the first time where we got serious numbers as to how industry was performing and what commonality there was in terms of issues and maybe resolution down the track. That's given us, I guess, some clearer numbers. The objective was essentially to develop a five to 10-year plan to take the industry to a different level.

MR WEICKHARDT: Is it possible for you to very briefly tell me what the major conclusions from this road map really are?

MR NICCOL: Absolutely. We vary from state to state, but essentially we have relied for the last 20 years on urban amenity markets. Whether in Sydney, Brisbane, Adelaide, doesn't really matter. You have a source of raw material for composting, you have a market on your doorstep, so the costs in terms of getting access to material, processing it and getting it to the end user, in relative terms, is pretty cost-effective.

We are all suffering - New South Wales is probably first - because of the proposal to the government to ban green waste and, in comparative terms, relatively few landfills. There was a real drive to have green waste pulled out of landfills in New South Wales. We're probably ahead of the other states, but we're all in the same boat. Our urban markets are going to reach saturation at some point. We're at that point now; the other states aren't far behind us. The road map was an effort to document that and see what we might be able to do in terms of market development post here.

There has been a lot of money invested in trying to quantify potential markets in the last five or 10 years, particularly with the New South Wales and the Victorian governments - but a lot in New South Wales. In the case of New South Wales, our key problem is distance from the next likely market, and I will show you a couple of slides. But the other states are in a very similar position to us, or will be very soon.

I will show you two slides that came out of the road map. You can see that the green figures are agricultural by-products, the rusty-coloured figure is urban amenity, so that you can see obviously the Sydney Basin has got a very significant volume of urban-generated organics. Once you get outside of Sydney, it's around but not in significant quantities.

MR WEICKHARDT: The green is what, from piggeries or dairies?

MR NICCOL: It will be for the manures, it will be straws - any sort of rural organic material. We would commonly compete - once you get west of the ranges, it's commonly manures - very commonly manures. There is green waste in areas but - - -

MR EMERY: Also in the Sydney Basin with chicken litter. The green there would be predominantly chicken litter or so.

MR WEICKHARDT: Right.

MR NICCOL: This slide is probably the telling one, because it shows distances from the Sydney Basin. These are areas of economic activity in the vegetable, fruit and grape industries. Essentially, the areas in red represent 50 per cent of the turnover of those three industries, which is roughly $800 million, 816-odd million dollars per annum gross turnover. Those red areas represent 50 per cent of that turnover. The darker green areas represent the next 30 per cent of that turnover and the lighter green is 20 per cent of that turnover.

Within each of those shires, you'll see figures that represent the number of businesses within those three industries with a gross turnover greater than $500,000. So you can see within 300 kilometres of Sydney really we're at that bottom-end market in terms of turnover and viability and, if you have to drive 300 kilometres to get to a farm, freight becomes a real issue. Agriculture has been identified. It's the obvious market for us. Really any sort of horticultural or agricultural activity is the obvious market once you leave Sydney, but the problem for us is distance.

If you saw the slide from Adelaide, you would see that within that 100, 200-kilometre radius it's all red, because their wine industry is smack on the door of the Adelaide market. They are in a different position to us, but the wine industry is under pressure as well, so sooner or later your prime markets come to an end.

MR WEICKHARDT: I'm surprised that the Hunter Valley is not showing up there.

MR NICCOL: The Hunter: again, you're dealing with industries that are relatively new to our products. But if you look at the wine industry, they are very astute, they need a lot of detail. That market has grown in the last two years significantly. There was an issue with the Hunter Valley because there was an issue with phylloxera, which is a grape aphid. That was something that we addressed as an industry with the wine industry associations and the state government and the Department of Ag. We did work on our composting process. We proved that it killed the phylloxera and now we have a compliance agreement with the Department of Ag to move into areas.

Essentially, the state is mapped based on areas where they have found this bug, where they haven't found the bug, and where they don't know, and you are restricted as to where you can move material. That's been overcome. But still, if you look in the Hunter Valley, yes, there are a lot of grapes up there, they're reasonably close to the coast; they get a reasonable amount of water. Do they want mulch and compost? They do, but not the sorts of volumes we would like to sell them.

MR WEICKHARDT: Okay.

MR NICCOL: I'll just show you three quick slides based on really market barriers. Obviously, our urban saturation is becoming the critical problem - the tyranny of distance; put it however you want. If we have to go 2 or 3 hundred kilometres, which we need to, it has a key impact on the potential of us to market into those regions. Obviously, affordability of rural and regional markets: there are carbon credits there, but that was a bit of a typo.

This is an important side: there are structural barriers to us really progressing and moving more material. In some ways, because we are a by-product of a waste industry, by definition we tend to be linked - closely associated with government. Government is inherently risk averse, so that brings with it costs to an industry that other industries don't face. If you go outside of the waste industry and you see manures are unregulated. There's a mountain of other organic residues that aren't really on the government's radar. I'm not saying that I'd like to see those industries come under the same sort of scrutiny, but in terms of supply, demand, price, it's a key issue that they aren't under the same sort of regulatory framework that we're under and the costs that are associated with that.

I'll just skip the diesel rebate for a moment. Currently we have a landfill levy in New South Wales. It's in the order of $21 a tonne. That's going up by $6 a tonne. There is an issue that if someone sticks a tonne of waste in a landfill, $27 is going to be generated for the state government. If you keep a tonne from going into landfill, as our industry and other industries do, that buys us no benefit. It's of great assistance to the state in general but there is no benefit recognised by that, by the service. We see that as a potential for funding of market expansion.

MR WEICKHARDT: Surely, with the caveat that I'll come to, the fact that the levy is there and the fact that it would cost a person that decided to send that material to landfill, that levy, means that you ought to receive a benefit from that levy when you acquire as an alternate that green waste to compost. The caveat is, of course, if other people in your industry agree by competition to take that material at less than that alternate disposal cost, then the alternate disposal cost won't reflect the levy.

MR NICCOL: Absolutely.

MR WEICKHARDT: But, I mean, the levy actually does give you, in theory, a significant benefit, in that it elevates the alternate disposal cost.

MR NICCOL: That's fine, as long as the markets for these products are next door to us and we're able to access them. This isn't an issue that we've brought to government until really the last five years. We haven't been under this sort of local pressure until then. We weren't coming to government to ask for any assistance. Our market was right here. It just wasn't something we thought about. We are at the point now where we have government objectives in terms of resource recovery. Yes, we are a middle man handling that material and on-selling it. How do you overcome this issue where we're under price pressure. Most of us in the past have used our income from our local market to subsidise; you know, move the material outside to other markets. But you do reach a point where, with the sorts of pressures that we're coming under, where does it go? It either goes back to landfill or we somehow overcome the issues that are stopping us getting into other markets.

In terms of government support, they have been fantastic, unbelievably proactive in the resource recovery side of it. They really have. I would qualify what I say in terms of low support for market development. That's unfair, because the DEC in its various guises has been very supportive in terms of market development, but the reality is that we haven't cracked the market to take the volume that we want.

MR WEICKHARDT: They gave us a lot of pictures this morning, suggesting lots of activity in terms of showing the beneficial application of compost.

MR NICCOL: Absolutely.

MR WEICKHARDT: They were proclaiming your industry and your products. You would have been proud of it.

MR NICCOL: That's very nice of them. That's great. But we're pragmatists. We're trying to sell this material every day of the week. We are aware of the issue of the basin. If we've got to freight 200 kilometres, we're in trouble. That's the reality. So with all this trial work, yes, it will give us some additional sales. It will fill niches here and there, but in terms of moving from out from where we are at the moment, which is roughly 600,000 tonnes, we're increasing on average 15 per cent per annum in the last 10 years; that will continue. By 2010 we're up to over 1 million tonnes and what do we do with it, because the markets that we're trying to get into can't afford to pay?

MR WEICKHARDT: Why can't they afford to pay it? Because of the transport costs?

MR NICCOL: Essentially it's a transport cost. A number of our businesses would do reasonably good business with cut-flower growers or orchards or that style of industry. If you go out in the Sydney basin we'll do reasonable business there. If you go across the ranges the exact same style of customer is then being asked to bear the freight. That's the point at which we start having a problem.

MR WEICKHARDT: Now, some have put to us that part of the problem with traditional compost is that it's got a high moisture content. It's not very easy to transport. It's not very easy to spread. They have showed us some dried, granulated products that they say overcome those problems. Obviously they incur energy in terms of drying but is this something your industry is looking at as an option of actually extending the application of the product further afield?

MR NICCOL: Pelletising is nothing remotely new. We looked at pelletising 15 years ago. You take a product, you drive the water out of it. Part of the value in that product is water. The cost that you bear in pelletising a product down the size of, say, a 50-cent piece is so far out of the proportion to the benefit you return in terms of freight. That's the only reason you would do it; to dry it down to freight it. We have a bulk density of our product of about 0.7. It's about 700 kilos to the metre. Say it's half a tonne to the metre. If it's bone dry you might double - you'd increase by about 40 per cent the volume you would fit on. So you go from carting the equivalent of, say, 30 cubic metres to 45, 50 cubic metres. In the scheme of things what you lose is far out of whack with what you gain.

MR WEICKHARDT: I thought the other merit that people were talking about of pelletising was that the farmers used to spreading fertiliser can actually use the same equipment to spread that material, whereas the equipment required to spread compost is quite different.

MR NICCOL: That's true to a point. A farmer is going to use a spreader with an aperture of something like the size of your hand maximum; a commonly occurring spreader. To get our products down to a particle size that would spread through a spreader that you'd commonly spread super or may feed something else - the numbers don't stack up. Believe me, if that was practical and economical we'd be doing it because it's a logical thing to try.

MR WEICKHARDT: All right.

MR NICCOL: So yes, I think we've certainly fleshed out some of those ideas but it's very difficult to overcome 300 kilometres.

MR WEICKHARDT: Okay.

MR NICCOL: Just that last point, which is probably important. There has been an obvious drive by governments of various persuasions to recover resources, which has been great. There has been no strategy developed post-diversion. If you talk to people that are reasonably linked to us within government, they're aware of the problems that we face. We've spoken about this issue for five years at least. No-one has a good idea. There is no easy answer to the problem. They want to drive more recovery, which is fine. We have optimised our markets paying us the most and closest to us. How do you then get to the next market? You know, the bio-fuel market is around. That's taken some material. But the bio-fuel market is going to die as well, for the same reason: particle size.

MR WEICKHARDT: Bio-fuel?

MR NICCOL: Burning wood; a co-generation of wood waste and coal.

MR WEICKHARDT: But you're saying that some of this compost is burnt?

MR NICCOL: They're residues that will be part-burnt with coal. Absolutely. But again they're used to handling coal, and coal gets ground to a powder, and we're using things that are half the size of your hand. You know, they're not geared up to handle our material. Some of the things that we've tried as an industry to educate ourselves in the last few years are where there is an environmental benefit in tackling composting, whether there are greenhouse gases issues. I won't go into detail now but we've undertaken in the last five years a number of studies to help better understand the environmental impacts of our industries. We'll append those to our submission. But they clearly show that if you had a preferred option in terms of these materials it would be to compost. There is clearly environmental benefit over landfilling. I won't give the details here because we're going to run out of time.

Look, I've used the word "crisis" there and I think it's one of those words that you flick around, but we are as an industry at a point where we need to have clear guidance, I think, and clear assistance from governments to overcome - because this issue is only going to get worse. We're the first ones to come along because we're the easiest material to recover from landfills. The C and D guys that are generating all sorts of recycled products, I suspect they'll be next cab off the rank. Sooner or later you're going to be - as governments drive to get more and more - the more difficult things out of landfill, you are going to have the same sorts of problems in like industries. In our case our inventories have doubled in the last 12 months. The drought has certainly hurt us. But in the last 12 months we've gone from 280,000-odd tonnes sitting in metropolitan Sydney to 421,000 tonnes.

MR WEICKHARDT: What's the 421,000?

MR NICCOL: That's the inventory that's now sitting in facilities in the greater Sydney region. It's a 33 per cent increase in stockpiles in one year. Why? The housing market has died. We've got a drought. Our obvious markets are under pressure.

MR WEICKHARDT: Now, we were talking to some people yesterday. One of them was associated with the AWT facility at Eastern Creek. He was saying they can get rid of all the compost they produce. They don't have any problems. They don't have any stockpiles. Why can they get rid of their product and you've got this 421,000 tonnes in the industry in Sydney?

MR NICCOL: They happen to be neighbours of our business. I would suggest you drive up and sit between our two facilities and look at the material there and assess for yourself whether there is an issue with that style of material. I think the AWT debate is yet to be had in some detail. There would be a range of views as to the relative merits of our materials. We all have strengths and weaknesses but I think to argue the case at the moment with that particular material - that there are no issues - could be hotly debated. I think there would be a very strong opposing view to that one.

MR WEICKHARDT: So what, you say they're not getting rid of the product?

MR NICCOL: I don't want to focus on an operator but, since you've specified it, if you look at the material sitting on that site and had you photographed that over the past six months, you would see a very significant change in the quantity of material sitting on that site; very significant.

MR WEICKHARDT: So is their inventory part of that 421?

MR NICCOL: No, because those figures - they only started manufacturing at the beginning of this year, so they're relatively new. Keep in mind the AWT - and I have nothing against AWT. In the scheme of things AWT represents something like 5 per cent of the total tonnages. I think it would be fraught with danger for governments really to be driven by what is 5 per cent of the problem, rather than by the 95 per cent.

MR WEICKHARDT: But there's another AWT going to be established - a bio one which is going to make more compost - - -

MR NICCOL: I think you will find that there are going to be - well, there are already - there are questions regarding the sorts of materials from those facilities. There are range of views on that sort of material, both within state governments and

within our industry. I'm not going to sit here and say anything about a competitor like that, because it's not appropriate, but there are certainly a range of views regarding that sort of material. Is it logical to only drive an MSW-type processing over an open windrow processing? The costs involved are significantly different. Many of us would argue that the material is very, very significantly different. They would probably argue otherwise.

MR WEICKHARDT: It has been put to us that some of the problem with excess compost is it's not meeting various standards - pathogens, heavy metals or contamination. Is that an issue that's part of the reason this stockpile is building?

MR NICCOL: No. We take green waste from your backyard - literally from people's backyards in the Sydney basin. We grind it up, we compost it, we screen it and we sell it back you. If there are issues of risk, it's coming straight out of people's ground and soil at the moment. No, that's certainly not a reason why the material isn't being sold. In terms of contamination, that's not an issue.

MR WEICKHARDT: I understood some of the green waste you receive is contaminated.

MR NICCOL: Yes, we get plastic and - once you get coarser material - you process the material, you screen it and you end up with a fine grade as a soil conditioner and a coarser grade for a mulch. The coarser the grade, the more contaminated it will become. Is that killing the markets? Is that a driving force for us not building greater markets? No.

MR EMERY: If I could just comment there, that's where the bio-fuel market fits in for that top end of the market. Just a comment about the AWTs. Various AWTs have - it's on the incoming stream in the segregation that they might employ that is very important. I think most of the AWTs now are using certainly a two but mostly three-bin system. A lot of them are bringing the green waste in segregated and running a composting line beside their other recycling and their mixed waste composting. They end up with potentially two composts of different qualities.

MR WEICKHARDT: Okay. I'm conscious of the time, so we had better move to what you're recommending or what you want to see happen.

MR NICCOL: On the diesel fuel rebate, our industry is not eligible for the diesel fuel rebate. We did write as a fledging body in 2001, requesting that we be included in the rebate. We are currently putting together another position paper on our industry. If we receive the 38.1 cents in New South Wales, that would be worth approximately $3 million to the industry in New South Wales. Remember that the tax that's on fuel is supposed to be for on-road use and for road repairs, et cetera.

Clearly we're not doing that. If New South Wales is a third of the industry, therefore we would be worth approximately $9 million per annum to our industry, if we could just get the fuel rebate.

MR WEICKHARDT: That's a federal scheme, isn't it?

MR NICCOL: Yes, that's a federal scheme. I think extended generator responsibility is things like marketing plans, whether it be assistance to move material into our markets or a quality seal which is something that the road map recommended that we get into Australia, so that rather than the Australian standards we have a marketing scheme which is more market specific. That quality seal we believe should be funded partly from the generators of the waste. We would also like to see the national government look further into the carbon sequestration and those other benefits that we've outlined.

MR WEICKHARDT: Do you think the industry is doing all it can to develop the market proof to consumers that this is a product that has got benefits, that will help pull the product through?

MR NICCOL: I think if you look at 1998, we started at 150,000 tonnes. Since then we've handled on average probably about 300,000 tonnes per annum over 14 years or something - 10 years or whatever it is. It's not that there are issues really with the products. Yes, we haven't differentiated well enough. There are other markets we can push. We can certainly work on information about our products, without doubt, and we're doing that at the moment. Is that something that's stopping a quantum leap in sales? No. The harsh reality is that our biggest market, which is right on our doorstep, is saturated. If we want to continue pulling these sorts of products out of landfill, then what is going to happen with that product?

MR WEICKHARDT: I understand the New South Wales levy had an exemption for material that was stockpiled, but they're now saying that they won't supply that exemption. Is there any threat that people who have got these stockpiles of compost are actually going to end up paying the levy in New South Wales?

MR NICCOL: I think the state government is also in some ways a pragmatist. If our industry had more and more pain inflicted on it, then we can't sell the product. If we can't sell the product, our sites will drown. You know, they are realists. They can see the situation that we're in. I wouldn't believe that they would do something that is so obviously opposed to their real drive of resource recovery.

MR WEICKHARDT: Is there any sign that the industry, if it's under financial duress, is actually requiring people who deliver green waste to it to pay more to take it away?

MR NICCOL: I think you will find that you have contractual obligations but, as each new contract comes about, all this - I think many people who are tendering for that sort of material are aware of the issues of being able to market it and distribute it. That inevitably becomes a component in your costing in these sorts of sites.

MR WEICKHARDT: So those prices are likely to go up?

MR NICCOL: We know our Sydney market is flooded. There is no doubt. The alternative is outside of Sydney. That's the harsh reality, unless something phenomenal comes up in the next two or three years. There's no doubt - put it this way: those who don't cater for that, I would think would bear some pretty harsh risks.

MR WEICKHARDT: Okay, thank you very much indeed. It has been particularly interesting. We have got a copy of the presentation, have we?

MR NICCOL: We'll send you through a - - -

MR WEICKHARDT: Okay, thank you very much indeed. We'll adjourn briefly and next we have SITA.

MR WEICKHARDT: Our next speaker is from SITA. If you could just give your name and position.

MR RITCHIE: Mike Ritchie. I'm the general manager of marketing and communications for SITA Environmental Solutions.

MR WEICKHARDT: Thank you. We received a doorstopper of a submission from you.

MR RITCHIE: That's right.

MR WEICKHARDT: You might like to draw my attention to any of the key points and we'll take it from there.

MR RITCHIE: Sure. Again, thank you for the opportunity. I wanted to just briefly touch on the main issues in SITA's submission and then a couple of issues that have come up in the discussion this morning and yesterday that relate to some of SITA's businesses, so I'll touch on some of those. SITA is one of Australia's largest recycling waste management companies. We run four landfills, a composting facility, three resource recovery centres, two transfer stations and we have aspirations towards building AWTs. We're very active in the AWT space, which I mentioned to you yesterday.

Our recycling activities: we offer recycling services to our customers in timber, fluorescent lights, printer cartridges, paper and cardboard, plastic, glass, food waste recycling. We cover the whole raft of recycling and waste management processing solutions for customers. We have about 800 (indistinct) and 40-odd thousand customers. I wanted to draw your attention to the graphs we mentioned yesterday; the MSW and the C and I. In your document you should also have - in this submission - the C and D graph.

The discussion really relates to the fact that C and D is a very heavy material and therefore it's much more price sensitive to costs of landfill. The impact of the levy and the rising costs of landfill disposal around Australia, and in New South Wales in particular, have driven the C and D sector earlier than most of the other sectors. That density issue, the costs of disposal of C and D, is much higher because it's a heavier material. The generators of C and D waste, the recyclers and reprocessors, are more sensitive to landfill pricing as a stimulator of activity.

In relation to the C and I sector, the two moves - you know, you saw that trend yesterday. The C and I sector is heading in the wrong direction. It is so in most cities in Australia. The issue there is to put more source-separated systems into generators. That means generators need to have some kind of incentive to introduce

some source-separated system, whether that's commingled containers, paper and cardboard, fluorescent lights, printer cartridges, any of those recycling initiatives. What we find in practice is that generators of waste are looking for a reason to do this. They're generally not altruistic. There are some, but in terms of the normal distribution of companies that are prepared to bear a cost for environmental altruism, they are few and they're at the end of the bell curve.

The vast majority are looking for some either regulatory or price incentive to enter into those additional costs and they expect those costs to be borne equally by their competitors, so they want a level playing field in terms of cost sharing. We find that in relation to most products. Unless we can offer them a price incentive - so in the case of paper, cardboard, aluminium and steel, those commodities, we can offer discounts on the cost of landfill. They are the ones that are taken up widely by the C and I sector.

In relation to most other commodity streams, it's a very difficult position to put to say to a building owner that he should bear another 10 or 20 per cent cost burden to recycle office white paper by having a completely source-separated system through the building; the cleaners, training the cleaners, a separate collection system and a different truck turning up to pick it up. All sorts of issues around productivity and the costs of labour service the C and I sector, and make it difficult for them to make the transition from waste-to-landfill to waste-to-recycling because of the price disincentive. On that point, the levy is a key stimulator of that because, as you've just mentioned in the last presentation, it makes the cost of the alternative more unpalatable and therefore makes recycling relatively more palatable.

SITA endorses the principle of the waste hierarchy, although we would definitely be of the view that zero waste to landfill and some of the more ambitious targets, we would posit those as market positioning rather than a reality. We don't believe that zero waste to landfill is either achievable technologically nor appropriate economically because of the law of diminishing returns of extracting those last residual materials. We do believe, however, that we are a long way from the issues of economic inefficiency or the law of diminishing returns.

Recycling rates around Australia: paper at 47 per cent, plastic at 16 per cent, glass around 40 per cent. Aluminium is the best at around 70 per cent. Steel is at 40 per cent and white paper is 11 per cent. We don't believe we are at a level where we are seeing significant economic inefficiencies coming into the marketplace through the recovery of these materials. We have endorsed the state government strategies for diversion of waste from landfill and we see those as appropriate.

On to some more related matters to other parts of our business. We do believe there needs to be a level playing field in terms of the environment standards for

landfilling and that landfill should be required to bear the full costs of post-closure remediation, leachate lining, gas extraction, monitoring and reporting, and that those should be for a forward projection for around 30 years from the date of closure of the landfill, similar to Victorian requirements. That's not common practice in most states. That's not common practice in New South Wales. We believe that there is a significant cost penalty for the operators of well-regulated and well-run facilities from those that are running smaller less-regulated and less-well-run facilities. That's a cost disincentive for good environmental practice.

MR WEICKHARDT: Can I just clarify that, because the New South Wales Department of Environment and Conservation this morning were making a point that they philosophically were opposed to a levy trying to compensate for a landfill that wasn't being operated to best standards; that they philosophically felt that all landfill should be managed to the best standards possible. Are you saying that's not happening in practice?

MR RITCHIE: I think Simon's point was that he wanted to use the regulatory regime to manage externalities, as opposed to an economic model. We would agree with that, but we would say that they're not all being managed to a minimum set of environment standards. That's true of any number of reports. There was a report a year ago which looked at regional councils in New South Wales and showed, I think from memory, something like 28 or 30 were failing to perform to minimum standards. It's also true that most regional councils don't have leachate liners or gas extraction, post-closure monitoring, or are not making provision in the current gate prices for post-closure remediation, monitoring and rehabilitation.

Very few landfills make the appropriate gate price increase to reflect those long-term risks and management obligations in current pricing. It's not a requirement in New South Wales nor around Australia, and it's our view that all those costs should be embedded in current gate pricing. They would have two effects. It would make sure that we don't pass a liability to future generations and it would also increase the cost of landfilling now, reflecting true costs, which would make recycling more attractive to waste generators.

MR WEICKHARDT: You say the Victorian regulations are much tougher in this area?

MR RITCHIE: As I understand it - and I'm not an expert in this area - in Victoria they are required to make provision for 30 years for post-closure remediation. I don't know the answer as to whether they're required to bring it to account in their current pricing, but I do believe there's a requirement that they have a plan for a 30-year remediation horizon. I can certainly get you some information on that.

In terms of some other points that we've raised in our submission, we believe that - and you've asked this question of a number of people - decisions by local councils for infrastructure are very difficult for local councils. It's our view that infrastructure is very different from collection services. We believe local council make collection services very well. They've got a long history in it. Where local government have a real challenge is in infrastructure, particularly with new and larger infrastructure being promoted in the waste sphere in terms of alternative technology, dirty MRFs, kerbside MRFs.

We believe those decisions need to be made at a level where local politics is less influential and a more strategic view of the need for the infrastructure from a regional or metropolitan scale is brought into the discussion, so we would see regional groupings of councils, or more particularly the state government, establishing a strategic planning framework with appropriate decision-making control at the state level. On that point, we need to back that up with a planning framework that identifies what is the strategic infrastructure that we need and where should it most appropriately be located. That's not to identify individual sites, but regions, to optimise transport efficiencies and other related activities. On that point also, we need to get better definitions of "waste" across the country. The definitions of "waste" vary state by state and are different for most streams.

I've included in my presentation to you a study that the Waste Management Association and SITA funded on willingness to pay for alternative waste treatment technologies. What that study showed was that 93 per cent of people - there were 700 persons surveyed nationally, with a 2 per cent error rate - believed that diversion of waste from landfill through alternative technology is a good, or very good, activity.

MR WEICKHARDT: Mind you, if I may say, having looked at the questions that were asked, you would have expected that sort of response.

MR RITCHIE: We used an external consultant, Taverner Research. They do a lot of work for the government; for all governments. They're an independent agency and they looked at the questions very carefully and asked the questions in three different ways in order to eliminate bias. What you're seeing there is an amalgam of the questions. They asked the price questions from high to low and from low to high and then asked two other questions in order to test the strength of that response. What they showed was that 70 per cent of respondents were prepared to pay up to $1 per week, or $50 a year, for a 70 per cent diversion of waste from landfill. Then they tested ranges above and below that, and I won't go into all the details. You've got the report.

Having said that, SITA is a strong supporter of the move to alternative

technologies, and we believe there is a strong willingness in the community to see that infrastructure put in place to divert waste from landfill. We do see, though, a long-term role for landfill for the disposal of intractable waste, for the disposal of residual waste from alternative technology plants, for the disposal of waste that is not amenable to AWTs and particularly - getting to some of your points about the cost drivers - we don't believe AWTs are necessarily appropriate in remote and rural areas where the cost of hauling materials from an AWT back to a market is prohibitive. So there's an optimisation issue in the placement of AWTs, but we certainly see that landfill has a key role as a resource of last disposal.

On some of the questions that were raised about the organic material coming out of alternative technology plants, I just wanted to mention that there is a process in New South Wales called the DORF. That's a program run by the Waste Management Association, looking at developing specific standards for the compost from alternative technology plants to ensure that when these commodities are sold into the marketplace as composts they meet known and specific standards, to provide certainty both to the generator of those composts and also to the market. That program is being supported by a number of the EPAs in Australia. It's being supported by the Western Australian EPA and the New South Wales EPA.

MR WEICKHARDT: This is a national - - -

MR RITCHIE: It's actually run under the Alternative Waste Treatment Working Group, which is the New South Wales branch, and Compost Australia, who you met earlier this morning. They have come together as another committee, under the auspices of the Waste Management Association of New South Wales, to look specifically at this question. Because the question is broader than just New South Wales, other regulatory agencies have taken an interest in it, in particular the EPA of WA.

MR WEICKHARDT: But I understand there is already an Australian standard on compost. Is that right?

MR RITCHIE: There's an Australian standard for compost, Australian Standard 4454, and there's also an Australian standard for biosolids coming from sewage treatment plants. The discussion is that we don't believe that either of those as stand-alone documents are sufficient to provide certainty for the materials coming out of an MSW facility, and the EPAs are seeking further clarification on how those two standards might be rolled into a new standard and expanded in terms of their coverage of chemicals and other materials that might be in MSW compost, to provide clarity and certainty. Certainly, the biosolids guidelines will be used as a base for the development of MSW guidelines.

MR WEICKHARDT: Yes.

MR RITCHIE: That process is ongoing at the moment. We're just letting a consultancy for a very large testing regime. You had some discussion about hard waste collections on roadsides. There are OH and S risks around that, and they're largely to do with the commingling of the materials. You've got fans mixed in with timber, mixed in with green waste, mixed in with string and timber with nails in it. By definition, when you mix waste in that way, it's very difficult to get it out by hand, and manual separation of waste in that way - and not using an automated system - is a licence for OH and S issues, which is why the industry has moved far more towards MRFs, and increasingly now a move towards dirty MRFs, C and I waste and AWTs to automate that process to minimise that OH and S risk.

MR WEICKHARDT: Mind you, the MRF that I've seen still had an alarming number of individuals hand-picking of conveyor belts different products.

MR RITCHIE: I'm sure you've seen a kerbside MRF, like the kerbside recyclables - glass, plastic, aluminium, steel - and the drive in that is to get contaminants out of that stream, so to make sure that other things that might cause risk don't come in. That's the first issue. The second is making sure that as much of the system as possible is automated and that where you have pickers it's on a clean and relatively homogenised stream. You'll find most of the pickers that you would have seen were picking a plastic line or picking a glass line. Very few are delving into a commingled stream, or mixed stream, which is where you obviously have more hazards, because you can't see the glass from the plastic from the newsprint. The more you can automate that original separation, or the more you can drive the separation process via automation down to the final sort, the better in terms of OH and S risk.

MR WEICKHARDT: Yes.

MR RITCHIE: They were the main points I wanted to make, but I'm certainly happy to take any questions.

MR WEICKHARDT: Okay. Thank you very much indeed and thank you for your voluminous input here. Perhaps I can just deal with this issue that was part of our last discussion while it's fresh in my mind. The point that the compost people were making, I think, was that they think they've saturated the local market and that they need financial and other assistance to get an ever-increasing quantity of this material to market. The New South Wales government sounded more optimistic; that there's a lot more potential to develop markets and this isn't a problem. We had people yesterday say, no, it's not a problem. Where do you stand on this? Do you think there is a problem?

MR RITCHIE: I think there's a transition issue in New South Wales. For example, in relation to our composting plant in WA, we've developed markets for 30,000 cubic metres of this material and we can't generate enough of it to satisfy the markets that we've grown in the last five years. It's Australian Standard 4454 compliant material, and that's a key. A large part of the compost that's made in Australia is not compliant with the standard, so that's one of the industry's activities that they need to do - is get the material up to a compliant standard - and self-regulate that so that it has a price premium in the marketplace if it meets that standard. I think the issue in New South Wales - - -

MR WEICKHARDT: Sorry, can I just clarify it. What's the attribute that causes a lot of product to fail to meet the standard?

MR RITCHIE: It's not a question of failing to meet it; they don't put the cost into the process to get it to the standard or go through the certification process to have the standard, because there's no price incentive in the marketplace to drive that behaviour. Noncompliant compost can sell as easily as compliant compost in the marketplace, because there's no selling trigger - no marketing trigger - that gives one a premium price over the other at the moment. I think that's something that the compost roadmap has certainly looked at in terms of trying to get compliance.

The issue particularly in New South Wales I think is a transition issue between fixed price contracts that they have with councils to process this material and more and more material coming on stream, because more councils are moving to source separated green waste services, and a realisation on the other hand that the market price that they can get is $25 less than they should be getting to haul it to a market outside the Sydney basin.

Those contracts tend to be in the order of five to eight years. I'm sure that you'll see, as Rob mentioned, as those contracts come off, the price jumps by that price difference of $25 to $30. As he said, once the Sydney market is saturated, they've got to look for another market. They are saying, "There is a $30 price burden to get it out there; clearly we need to pass that back up the supply chain." I think you're in that transition at the moment, between fixed-term contracts and daily pricing at the other end, and so you will see this flow through over a five-year period, taking into account, of course, they still need to do the market development in New South Wales to take on all the additional tonnes that are coming into the market as well. So they are being squeezed from both directions.

MR WEICKHARDT: Right. If there are fixed-priced contracts that are going to run for another few years, are we going to see a veritable mountain of compost in New South Wales developing before this issue is resolved?

MR RITCHIE: That's a good question for Robert. I'm not as close to the New South Wales market. If you looked at his figures of 15 per cent growth per year, and you pitched that for five years, you're talking almost a doubling of the stockpiles, but not quite. The question is: do the companies have the capacity to stockpile for that period of time? I can't answer that question. I simply don't know.

MR WEICKHARDT: Thank you.

MR RITCHIE: But in relation to GRL, you heard John yesterday talking about the fact that he has priced his gate fee for his UR-3R facility to deal with the market costs, selling that material. So he doesn't believe he has a market problem at all and certainly, when we tender for the alternative technologies, we build in the cost of the full supply chain to make sure we can sell the materials to a market and do the market development. I think there is a bit of history coming in here about the fact that people got into the green waste market and priced it very, very low. They priced it at $30 a tonne and it hardly covers their costs.

MR WEICKHARDT: Yes. You say at the start of your presentation that among the various things you've done is to open Australia's first fully-engineered sanitary landfill. What does that mean?

MR RITCHIE: It means that we have a landfill that has gas extraction, leachate control, full monitoring, rehabilitation reporting, and it also takes industrial wastes as well, in separate cells. It's a specialised landfill. In fact, we have two landfills that take contaminated soils essentially into separate and dedicated cells, because that material has nowhere else to go. Again, the landfill is a disposal point of last resource and it obviously provides an essential service to the community, to waste generators.

MR WEICKHARDT: Where is that?

MR RITCHIE: Victoria, Melbourne. We have one here in Sydney at Elizabeth Drive at Liverpool, as well again taking contaminated soils.

MR WEICKHARDT: And do you have a view as to what percentage of methane capture is possible in these properly engineered landfills?

MR RITCHIE: No, I don't, but I could certainly ask one of our more technically focused people. I can't comment on it.

MR WEICKHARDT: Okay. On AWTs you say, "Poor government tendering processes and systems have caused 95 per cent of all the AWT tenders in the past

five years to fail to produce a result." What is going on?

MR RITCHIE: There is a litany of issues. I will list them off. Local councils often go on fishing expeditions, just to see what the market is doing. Local councils have gone into groupings of councils, which we would support, to develop a regional facility but have not bound each other to an outcome, so that towards the end of the process, when prices are realised and the price premium is on the table, a number of councils have withdrawn and the whole process has fallen apart. We've had issues around sites and people not being able to obtain approvals for sites to meet tender aspirations. We've had regional waste boards that have entered into contracts that have then not - the regional waste board has been disbanded so the contract then was novated to the government agency and then the government agency decided not to proceed with that proposal - that is one here in Sydney. That is the flavour of the thing.

Where you find the most success in AWT has been regional councils, where they have unilateral decision-making. If you look at the AWTs that are built and operating in Australia, the vast majority of them are in regional centres where local councils have made a decision to go in that direction and bear both the planning process and the price premium. But, having said that, there is a new transition in both Sydney and Perth, and to a lesser extent in Victoria and Melbourne, where we are starting to see AWTs moving into the urban centres.

MR WEICKHARDT: You say that you support early and vigorous implementation of EPR schemes for the following types of wastes: batteries, tyres, TVs, computers, oil, paints, pesticides - I think you and AEEMA were presenting. Do you have any comment on their sort of point of view?

MR RITCHIE: Yes. They are all clearly identifiable wastes. They are not composite wastes. They are clearly identifiable as having a particular function, purpose and are readily identifiable by a user, so that would be our starting position; that EPR schemes work well for those types of waste. They are also not significant in terms of the total waste stream volume. So while they are important to tackle, if we are trying to minimise waste to landfill or seek resource recovery, there are bigger issues than EPR. I say that by way of introduction. In terms of those streams I believe that TVs and computers should be subject to an EPR scheme. Clearly, there are issues of orphan materials.

MR WEICKHARDT: Sorry, why do you think they should be subject to an EPR?

MR RITCHIE: Because many of them have chemicals of concern in terms of their impact on landfills. Many of them have reusable materials within them which have residual value. Thirdly, your point about - a lot of them are finding their way back

into the waste stream via kerbside collections which, by its nature, is very inefficient and very costly to the community. Also, once they're in that mixed stream in a kerbside system - when I say "kerbside" I mean the drop-off, the outdoor six-monthly drop-off system - it's very difficult to recycle and recover them once they are in that system. It's far more efficient to recover those materials via some kind of EPR scheme where they are either sent back to a drop-off facility, or some other collection system. I know the TVs at the moment are looking at a range of opportunities for EPR for TVs; ranging from a take-back scheme where they pay a residual value to employing a company like Collex to operate drop-off facilities, doing it through the community groups and providing funding to Scouts and other community agencies, or doing it through some commercial operator who owns sites. They are all the opportunities.

MR WEICKHARDT: Okay. Can we just separate these issues out. You say many of these products have materials of concern in them.

MR RITCHIE: Yes.

MR WEICKHARDT: That's an issue that I've heard contested. You heard AEEMA say they're not aware of materials that should be of concern in the appliances they were talking about. Do you support that?

MR RITCHIE: I take my lead from the EPA on matters or issues of chemicals of concern. This morning Simon, the deputy director general, made the point about one of the key reasons they are driving the EPR schemes, and they have the wastes of concern. The kind of drivers that they - the reason they allocated those or decided upon those 16 wastes of concerns, as I understand it, was those wastes that had residual value that would be better off being recirculated through the economy, and those wastes that had an environmental potential risk attached to them, again, which should be taken out of the landfill process. In terms of that decision-making framework, that is really where the EPA has spent a lot of time and effort, as I understand it, to come up with those lists.

MR WEICKHARDT: I mean, refrigerators are saying 80 per cent get recovered anyway.

MR RITCHIE: Well, probably through steel recycling because of their residual steel value. I can't comment on the 80 per cent but, yes, it's not unimaginable.

MR WEICKHARDT: If that's true, is having an EPR scheme sensible?

MR RITCHIE: On fridges alone? Probably not. I mean, you're at that law of diminishing returns at 80 per cent. We'll worry about that in 15 years' time when

we've got everything else up to 60 or 70 per cent. But in relation to fans, airconditioners and a whole range of other equipment, that's a question really for the EPA to say, "Well, are they on the list because they have resource value or are they on the list because they've got chemicals of concern?"

MR WEICKHARDT: Okay. You say SITA supports container deposit legislation. I don't know whether you're proposing to stay after lunch but the Australian Food and Grocery Council made a submission which vehemently opposes that idea. Have you read their submission?

MR RITCHIE: Yes.

MR WEICKHARDT: Do you have any comment about it?

MR RITCHIE: Well, SITA's position on CDL versus kerbside system is, what's the most efficient from an Australian economy point of view? If I've got plastic or glass at my house and I've got to get that back to an end reprocessor, what's the most efficient way to get it there? Is it via a kerbside collection system in a MRF or is it via some user take-back scheme embedded in an EPR scheme? Really that research has not been done on a national scale. There have been small elements of it but we would certainly like to see a major study done on where that balance of costs is.

The problem with the debate about CDL to date has been it's about costs shifting between industry and local councils, not about what is the net cost of one system to the Australian economy against the net cost of another. We would like to see that analysis done. The other point we would make on CDL is the level to which you've dropped down in terms of the sorting requirements. In some CDL schemes they sort right down to the individual PET bottle and the manufacturer of that bottle, and that adds a lot of cost to the sorting system as opposed to allocating costs on the basis of market share, which takes out a whole sorting element. I was at a recent - paper given by the Californians, who said that 80 per cent of the cost of CDL schemes is in that last sorting process where you're down to - instead of sorting at the next level PET, HDPE polypropylene, they're sorting the next level down to, say, Coke PET and Schweppes PET. If you do that sort, well, obviously you're adding a lot of labour and a lot of cost.

Their argument was you don't need to go that far. You need to have a look at how you deal with unredeemed deposits and that's the key issue in terms of cost allocation. But there are other people who are far more knowledgeable about CDL than I am. But in response to the comment on CDL, we really look for some leadership in terms of that debate at the broad national economic level, as opposed to where is cost shifted from one organisation to another. Is it the ratepayer that pays it or is it the consumer that pays it through direct consumption? That debate we've had.

What we really need to say is what is the most economically efficient way to move commodities from a generator to a user?

MR WEICKHARDT: Well, that sounds like you are sitting on the fence until you see that analysis. But here you say you support it.

MR RITCHIE: Well, if it says we support it, we should have said we support an exploration of CDL in a serious economic way.

MR WEICKHARDT: All right. Look, I think that's just about exhausted my questions on your submission, which was very comprehensive and very informative. So thank you for your participation and for your effort.

MR RITCHIE: My pleasure. Thank you very much for the opportunity.

MR WEICKHARDT: Now we're going to adjourn and re-start at 1.45.
Thank you.

MR WEICKHARDT: All right. Our next participant is the Australian Food and Grocery Council. We have Mr Tony Mahar and Mr Russ Martin. If you could just introduce yourselves and your positions, please?

MR MAHAR: Yes. Good afternoon. I'm Tony Mahar, the assistant director of policy with the Australian Food and Grocery Council.

MR MARTIN: I'm Russ Martin, director of Martin Stewardship and Management Strategies, or MS2, consultants to the Food and Grocery Council.

MR WEICKHARDT: Okay. Do you want to make some introductory comments?

MR MAHAR: Yes, thank you. I'll begin the representation today on behalf of the AFGC, addressing our view of packaging and its role in the supply chain and our support for the National Packaging Covenant. My colleague Russ Martin will then address some issues relating to alternative policy measures and also touch on the issues related to litter in our submission.

By way of background, the Australian Food and Grocery Council is the peak national organisation representing Australia's packaged food and grocery products industry. The membership of the AFGC comprises more than 120 companies, subsidiaries and associates. Effectively, AFGC member products reach every Australian household. Our intention here today is to ensure that the views of users of packaging are considered by the commission in this important inquiry.

The AFGC view is that implementing genuine environmental policy and reform is a complex issue, you are no doubt aware. We believe it's important to develop a whole-system approach to environmental management to ensure policies and strategies reflect the full environmental and economic costs and benefits of different stages in the system. We believe that focusing on single-issue environmental outcomes in isolation without consideration of the associated benefits and costs may result in strategies and policies that reduce, rather than improve, environmental outcomes. The AFGC view is that waste can and should be reduced. However, the nature of these reductions should be consistent with the overall economic and environment and social improvement in supply chain and not simply a means to an end.

It's our view that processing and packaging make a vital contribution to the environment by preserving the quality, safety, shelf life of products and reducing product wastage. Packaging is important but is only stage in a number of environmental impacts from the production and consumption of food and grocery products. Packaging-related waste management issues continue to be on the agenda for responsible companies and most are seeking improvements in the efficiency of

those processes. While there's always the potential for environmental costs associated with the management of industry waste to offset these benefits I've just mentioned, greater process efficiency through the chain and improved packaging and efficiency recovery combine to reduce such costs.

For a variety of reasons, including concern for the environment, the food and beverage grocery industry constantly promotes efficiencies in its operation and in the management of its products and packaging. It's the view of the AFGC that a comprehensive national framework that takes into account these broader issues associated with production through to waste management is required. We believe this would result in a more comprehensive policy approach and embraces the complex task of reducing environmental impact while also considering the economic and social issues.

I'll just touch briefly on the National Packaging Covenant. The AFGC was involved in the development of both the original and the revised National Packaging Covenant. The AFGC strongly supports the covenant as the most appropriate and equitable policy option for the management of post-consumer packaging waste. The industry is acutely aware of the challenges and responsibilities they face under the revised covenant to ensure improvements are made and data is provided. We see that shared responsibility such as the covenant provides signatories with capability, capacity and flexibility to innovate and invest where they can make a difference without the costly impost of generic and inefficient regulation.

Collection of accurate and verifiable data of packaging flows must be a priority for the revised covenant to provide an objective assessment of its efficiency as a waste management tool. In addition, it's also important to note that these priorities are not limited to just industry. However, industry has shown a willingness to absorb the additional cost of data collection and reporting as long as the covenant continues to be the primary policy vehicle for post-consumer packaging waste in Australia. I'll just hand over to Russ.

MR MARTIN: Thank you. My comments today in support of the AFGC are directed primarily at CDL and litter. My experience with these matters goes back to the early 90s when I was responsible for understanding CDL models and their potential impacts as an employee of Florida's environmental agency.

I studied various CDL programs first-hand, especially California's. Florida had a CDL program on the books with a delayed implementation date to give industry a chance to develop recycling markets. We repealed CDL in Florida because it failed to provide a comprehensive solution to recycling and litter. Extensive studies showed CDL would jeopardise our recycling programs and we felt CDL would not send the right signals to achieve our environmental objectives. Those reasons are

just as valid now for not introducing CDL further in Australia.

As detailed in our submissions, CDL schemes can be effective in increasing beverage container recovery and decreasing beverage container litter. However, consideration of social, economic and environmental impacts shows that CDL has no inherent benefits compared to alternative comprehensive policy approaches. CDL advocates say that various states and countries have CDL and comprehensive recycling together; therefore, they could readily co-exist and even complement each other. However, such a view is overly-simplified and fails to recognise that, with the exception of Germany, CDL was implemented first and recycling programs could be designed around the CDL programs already being in place.

The introduction of CDL on top of Germany's comprehensive recycling program cost industry around $490 million in 2003 and led to a net loss of over 9500 jobs. A study for the ACT government found that at best CDL could result in a 10 per cent increase in beverage container recovery. However, CDL would increase the marginal cost of recycling in the ACT from $110 per tonne to 900 to $1900 per tonne. Various studies in New South Wales and Victoria have consistently shown that the introduction of CDL would double or triple the cost of recycling per household.

The impacts of CDL are not necessarily highest in urban areas. A study for New South Wales found that introduction of CDL would require establishment of 500 depots in urban New South Wales at a cost of $123 million. However, only 30 to 60 would be economically viable on their own. The AFGC is strongly opposed to such policy approaches that penalise regional consumers or reduce regional competitiveness. CDL should be opposed on the basis of poor use of resources in the case of regional economies and the costly approach to such systems that do not have adequate facilities.

The potential exists for significant diversion of revenues from recycling programs under CDL if consumers are motivated to return the containers. Economic viability of recycling programs could be threatened to the extent that consumers redeem containers through CDL collection depots rather than through kerbside. California data shows that where CDL and kerbside occur together, there may be a significant shift in materials with easy to collect or higher value items returned through CDL and others left in kerbside recycling. In California with CDL and kerbside together, virtually all the materials with value - especially glass, aluminium, steel and PET, get diverted to CDL. The kerbside programs are left primarily with PVC, polypropylene, other plastics and of course paper.

With regard to litter, the AFGC encourages the development of proactive and appropriate litter reduction and management initiatives, and the participation of

relevant member companies consistent with their commitments to product stewardship. Various attempts have been made to capture and calculate the cost of littering nationally. However, a detailed analysis has not yet been completed. To gain an accurate result for a data-gathering exercise of this magnitude would require a significant financial investment, time allocation and organisation, combined with auditing and validation to ensure accurate quantitative and qualitative data was supplied.

The question that then arises is, will knowing the cost provide a solution? The answer is no. Similarly, knowing the scale and quantity of litter will not provide a solution. There will always be a small percentage of the community that are recalcitrant and will deliberately litter even when penalty enforcement is applied. Positive reinforcement of good disposal behaviour has been proven to be more effective than campaigns focused on enforcement and penalties. On this matter, cost is largely irrelevant and is used as an emotive tool by those using it to influence policy and political opinions. However, where litter costs can be effectively determined and allocated, industries should bear reasonable physical and financial responsibility commensurate with the overall environmental impacts of their products. This means that the environmental benefits of packaging, for example, must clearly be taken into account.

In summary, the National Packaging Covenant Industry Association has reported that attempts to apply EPR to packaging, especially in Europe, have introduced significant social and economic costs, yet environmental results may be viewed as mixed at best. It has become clear that packaging waste does not justify EPR instruments either from an economic or an environmental perspective. The National Packaging Covenant is the preferred policy option chosen by ministers and it deserves full support.

Industry has worked closely with government on development and implementation of the covenant. Alternative policy options should be considered only in the event that the covenant's mid-term review at end 2008 shows that the covenant has clearly failed to achieve its objectives. Any real consideration of CDL would have to recognise that in exchange for slight improvements in beverage container recovery and reduced beverage container litter, there would have to be significant implementation costs and conflicts with recycling programs. These conflicts increase as recycling programs recover more material and reduce their costs.

Alternatives to the current covenant, such as CDL, have higher marginal costs due to separate competing systems. They divert revenues from recycling programs and fail to consistently achieve higher recovery rates. Recent analysis also shows that a largely voluntary approach under the covenant has resulted in recycling rates

that are broadly comparable or exceed those of CDL recycling rates in other countries. More comprehensive and effective options are already available to improve recycling and litter management. These programs deserve continued support. With that, I'm happy to address any questions you may have.

MR WEICKHARDT: Okay, thank you. Can you talk specifically about the South Australian experience, because South Australians profess great satisfaction with their experience and claim that it's an example where kerbside recycling operates quite happily alongside CDL. They say that they're satisfied that CDL has given high levels of recovery of the particular containers and has reduced litter. What's your evidence in that situation of CDL - - -

MR MARTIN: I've studied the South Australia system in detail. On several matters we need to again look at the fact that CDL was introduced first as a litter measure and as a protectionist measure in South Australia. Recycling programs could then be designed around the CDL system already in place. That means that when you're developing say recycling contracts or contractors are figuring out the costs of setting up a recovery system and how much to charge, they already know how much material has already been diverted under CDL.

One of the big unknowns of introducing CDL on top of comprehensive programs is we don't know how much material may be diverted. If little material is diverted, then we've put in an expensive program to achieve little result. If a significant amount of material is diverted, then there's a greater conflict with the costs of the recycling programs. Most South Australians have grown up with the system. They are used to it. There's a strong local retention. The system has been modified consistently over time and what we see now is a relatively inefficient system, and that's acknowledged by many of the representatives of South Australia.

If they were starting from scratch now they would do it differently, but they already had a system of marine stores in place. They already had 120 collection facilities in place to recover refillable containers at the time. When they looked at introducing CDL, they already had a depot system in place that could be modified to address it. The South Australian system has a number of built in efficiencies that were touched on earlier in the proceedings before the break.

The need to sort by brand, by material type, introduces significant inefficiencies. A recent study for the South Australian government said that those inefficiencies alone amounted to something like $4 million in additional cost for the system and yet - - -

MR WEICKHARDT: Do they sort by brand there?

MR MARTIN: Yes. It's part of ensuring that there is a reasonable flow of deposits and handling fees. For example, you would need to sort a brown glass Lion Nathan bottle from a brown glass VB bottle in order to make sure that the deposits and handling fees are handled accordingly.

MR WEICKHARDT: Why couldn't you do as the previous speaker was suggesting and simply say, "Fosters and Lion Nathan, provide us with data of your sales and we'll apportion these accordingly"?

MR MARTIN: That's similar to the California approach, which I'm happy to address. Often the industry people feel that that doesn't reflect their actual market information. In many ways they don't often trust the government to sort these out properly. California has taken a different approach, which is to say, they do significant detailed auditing on usually a quarterly basis throughout the state, and they look at, by brand, how much material is going through kerbside programs and through their recovery systems. Then they apply those ratios to things like a commingled kerbside recycling figure, so if a recycling facility processes 10,000 tonnes of material from various local governments, then the state just applies the latest percentages that have been calculated in allocating the fees.

What that does is it shifts those costs of trying to figure out the flows from industry to government, and when I was investigating the program in the early and mid 90s, they had over 300 staff involved in just calculating the flows and the audit material. Recent figures are not available on how much it's currently cost but, as we have highlighted in the submission, those costs appear to still be quite significant if you look at the number of audits that they've done, the number of enforcement actions, et cetera. So all they've really done is shifted the costs.

MR WEICKHARDT: I'm still a bit perplexed as to why sales data isn't an appropriate way to go.

MR MARTIN: There is often disagreement about sales data. Industry representatives will even argue about the sales data, and they don't trust the government with those figures. It's intensely competitive and they're reluctant to hand over the information.

MR WEICKHARDT: I can understand that there's a degree of commercial confidentiality about it, but on the other hand they're pretty auditable and - - -

MR MARTIN: I'm not here to defend the South Australian system. They've acknowledged that the program has evolved over time. They've made some modifications. If they were to do it now they'd probably do it differently, but that's the system that they have. It's evolved that way.

MR WEICKHARDT: They do it by sales, do they?

MR MARTIN: No.

MR WEICKHARDT: They sort it?

MR MARTIN: The system that they have in dealing with it is sorting by brand.

MR WEICKHARDT: Yes, okay.

MR MARTIN: One of the things that's important to note is that if you look at the sorting by hand it does produce a cleaner material, which in theory should have a higher market value, but investigations into New South Wales and consultations with recyclers have shown that the recycling system has evolved to allow for a certain level of contamination and anything cleaner than that, the recyclers won't necessarily provide a premium price. In fact many say that they won't. So, yes, you do get cleaner material. In theory you would have a higher value, but that's not the case, and if you look at the South Australian model, one of the arguments is that the hand sorting and removing the glass through CDL produces cleaner paper, for example, and therefore it's more valuable. In fact the publishers and the paper industry will tell you that South Australia's paper is actually consistently worse because they don't have a comprehensive recycling system that's on the scale or on the efficiency of what we see in New South Wales, Victoria and elsewhere.

MR WEICKHARDT: Are you saying that the recovery rate is less or the quality of the material recovered is lower?

MR MARTIN: Both.

MR WEICKHARDT: Why is the quality of the material recovered lower?

MR MARTIN: Because they don't have comprehensive approaches. There's not the industry investment in an overall recycling solution into the higher levels of standards. The recovery rates are also on average about 15 per cent lower for paper grades even though, in theory, if it was that much better they should actually have higher recovery. It relates to the need for a comprehensive recycling program based on reasonable markets, based on reasonable standards of collecting material, and not having a competing system with reduced efficiency.

MR WEICKHARDT: If you follow the argument in your submission that actually packaging is a small issue, that packaging recognises trade-offs between the manufacturers wanting lower costs and yet provide a product that's safe and has got

shelf life and all that sort of stuff, and you've argued the environmental impact of packaging is relatively small - if that follows, why do you support a national packaging covenant?

MR MARTIN: It's a consistent policy framework applied nationally that gives manufacturers and the rest of the supply chain reasonable options. There are different incentives acting in different ways. For one thing, there is industry contribution to funding programs to improve recycling overall. The Environmental Code of Practice for Packaging, which Tony and I were involved in revising and strengthening, sends quite strong signals to manufacturers to improve the environmental considerations into their packaging decision-making in that it promotes things like ability to be recovered, reducing propensity to become litter, handling consumer information, things like that. It's a reasonable approach with a fair amount of industry flexibility in there.

Part of our revisions to the covenant were to strengthen the link with the covenant. Previously the Environmental Code of Practice for Packaging had not had very strong uptake at all. What we did was link it more closely with the covenant. Any company that signs onto the covenant signs onto the Environmental Code of Practice for Packaging. If they do not conform with the guidelines in the Environmental Code of Practice for Packaging then their action plans are not in compliance and they face punitive measures under the regulatory approach, the national environment protection measure on used packaging.

MR MAHAR: I guess, just to add to that, we see it as a very flexible and equitable approach in that the onus is on industry to make improvements, innovations, in relation to their packaging that are going to make improvements in the overall scheme of their impact. It's also got the co-regulatory approach - picks up the free riders that would otherwise escape the system. It's, we believe, just an infinitely more equitable and fair approach.

MR MARTIN: And it covers a much broader range of materials than just something such as CDL. It deals with packaging; it addresses business-to-business packaging; makes it easier to hit consumer and institutional sources of material.

MR WEICKHARDT: We had a submission from somebody yesterday who was talking about the fact that there is still packaging around - they cited specifically a detergent container that, I think they said, was made of cardboard which was coated, contained a plastic handle and a metal spout. They said the cardboard uncoated would have been perfectly recyclable but now it's got a polythene coating on it, a plastic handle and a metal spout, that's made it very difficult to recycle and probably therefore almost certainly condemned to landfill.

They were saying this is a classic case of the failure of a signal to go from the packager back to the package designer to make their product recyclable, even though, they said, in the bottom this container it said "100 per cent recyclable". In theory I guess it might have been possible technologically to recycle it, but in practice this person was saying it just wouldn't have been recyclable; it's just too difficult. How effectively do you think is the covenant working to actually send signals back to manufacturers and producers to incorporate design features in packaging which make their recyclability actually practical and happen as opposed to theoretically practical and feel-good because you put a sticker on the bottom of it?

MR MARTIN: With the revisions to the covenant and the strengthening of the Code of Practice for Packaging, that signal is certainly much stronger now. There are allowances for tailoring it into the reporting requirements that might be done multinationally. We've tied it in with the European CEN standards, for example, which are viewed as a rigorous set of guidelines for how to address environmental impacts in your packaging decision-making, yet giving industry the flexibility in how to document that progress.

One of the things that's important to keep in mind is that the covenant focuses on reducing overall environmental impacts and, again, as has been discussed previously, the emphasis should not just be on end of life. If you have a package that reduces significant wastage throughout its cycle and is appropriate for the consumer needs, the consumer buys it, they deal with it effectively, but it's not necessarily recyclable, but it has led to reduced environmental impacts throughout the supply chain including processing, transport, et cetera, then that from an overall lifecycle perspective is probably better than a package that's just recyclable but might result in additional wastage throughout the system. What the covenant and the Code of Practice for Packaging do is send a strong signal to industry that they need to find the right balance of these issues.

MR MAHAR: The revised covenant specifically has as one of its KPIs the adoption of the environmental code of practice, so it's strengthened in that sense. The code itself is actually more strengthened in that it's not just a tick box type of thing. You've actually got to go through, document the decision-making process that a company goes through when it makes a review of packaging or implements new packaging. It's a lot more stringent and companies do have to actually increase their reporting of that process. Previously it was sort of not strong enough, and it's a lot more rigorous in that sense.

MR MARTIN: I think it's important to note that the Environmental Code of Practice for Packaging is also not the only instrument in the covenant to address these concerns. The new targets contained in the covenant include recovery targets, so one of the things that industries have to look at is whether they can achieve the

recovery targets given the current packaging that they have. There is also a specific target relating to increasing the recovery of the so-called non-recyclable packaging. There are items that are not considered as currently recyclable under current conditions in Australia, and industry is on the hook to increase the recovery of those materials so that they are, in effect, recyclable as opposed to not being viewed as recyclable.

Additional measures are also to be contained in company action plans. That's looking at what each individual signatory can do within their sphere of influence to reduce the overall environmental impacts of their products.

MR WEICKHARDT: You say in your submission that data collection requirements of the new code are quite significant, but the industry is willing to pay this price in order to ensure that the covenant is not replaced by CDL or another EPR type of measure. Is this a sort of avoidance of a greater evil or do you actually believe that this data collection is justified for the objective that is being put to?

MR MARTIN: I would argue it's a bit of both, in that there are significantly greater reporting requirements under the covenant. One of the reasons why the revisions to the covenant occurred is that the original covenant was viewed as not giving quantitative feedback on what was happening. That was levelled in several different reviews of the covenant. There wasn't enough information coming back in on what the covenant was actually resulting in - whether there were any changes at all. It's been accepted that there is an increased reporting cost but we're doing it in a way that gives us more valuable information to guide future decision-making as well, in that until negotiations on the targets for the covenant, we really didn't have an overall picture of packaging recycling rate.

We conducted the gap analysis in order to identify what information we had, what information we still needed, and how to pull the system together. There were a number of different programs that were in place, but the system had never been required to report an overall packaging recycling rate for example. There was great inconsistency. We're working on reducing the inconsistencies and having a reasonable ongoing monitoring and reporting system tied in with the covenant that allows us to demonstrate progress against the covenant targets and give us better information to guide future decision-making.

MR MAHAR: Along with that, there is a clear acknowledgment within industry that they will have to improve and increase their reporting so that they clearly document their impact on the environment. That awareness is increasing within companies. While the covenant has made that mandatory, that's already out there: that feeling of reporting and increased monitoring and measurement of a company's performance is something that sort of has been building over the years and is going

to continue to build. I think it's an acknowledgment and something that companies are starting to do anyway.

MR MARTIN: We should note that the impacts actually do vary, depending on the type of manufacturer, for example. Many manufacturers have reported that the reporting is simpler under the revised covenant than it was previously; that there wasn't enough definition of what really needed to be reported or enough guidance. Now there is additional guidance and there's a much clearer allocation of reporting responsibilities that has actually simplified the reporting for some, made it more difficult for others.

MR WEICKHARDT: You've suggested that the target setting that went on in the absence of this data was questionable.

MR MARTIN: Yes.

MR WEICKHARDT: But you're prepared to live with that.

MR MARTIN: It wasn't a pretty process. But one of the things that was happening was there was so little data - or so little consistent data - that there were a number of claims that were made that were just baseless. We saw misuse of data, even misuse of different sources of information, where something would be reported as being from a given source and, if you were going to check that source, you'd find they had a completely different number. So what we've done is work with government and other stakeholders to try and get an improved system in place that we can all have more faith in and get more accurate reporting, and waste less time in trying to argue about the numbers and go more into, "Well, what do these numbers mean and how do we drive improvements based on those?"

MR MAHAR: There was a clear acknowledgment in the development of the revised covenant that there just wasn't that data. Government, industry and community groups are in agreement at the end of the day that there just wasn't a significant basis of data to actually make some clear decisions and some clear policy options. It's widely acknowledged and that's why a lot of the KPIs are specific in terms of what they actually need to provide so that there is that basis for measuring accurately the performance of the policy.

MR MARTIN: The Covenant Industry Association is also trying to improve electronic reporting requirements to simplify the data coming back in in a more consistent manner.

MR WEICKHARDT: Despite your apparent satisfaction with the NPC2, we've heard a number of people say that they're frustrated with it, dissatisfied with it, don't

believe it has a chance of actually producing - and this is the industry that's obfuscating and buying time, and that they've lost all confidence in it. How do you sort of reply to those concerns?

MR MARTIN: It's interesting to note the number of media releases that came out afterwards from NGOs saying that they felt that they had gotten the industry held accountable through the targets and measures like that; that the environment ministers were holding the industry accountable. It was a difficult process, it was controversial to go through the revision, and a number of advocates didn't want to see any other options in place other than CDL because they've been very visible in saying, "Getting CDL introduced is a vehicle to getting EPR introduced across a whole range of products." That's just the easiest way to start and kind of get the camel's nose under the tent, so to speak.

The revised covenant contains a mid-term review at the end of 2008. It's up to ministers to decide at that time whether the covenant has demonstrated clear commitment to achieving its objectives, and whether it's on track. If it is not, ministers have the option of not choosing to continue the covenant. If it is, then we look at it and while it's open to ways to improve the efficiency of the covenant in the performance of industry, we see it as a reasonable regulatory framework with enough regulatory underpinning to guide people to do the voluntary measures, yet hold others more accountable.

One of the things that industry is actually glad to see in the revised covenant are measures to improve the regulatory underpinning in the national environment protection measure, in that a number of jurisdictions indicated they didn't have the resources or the ability to go after the free riders under the original covenant. It was too hard to make a case that would stick. They will tell you openly now those measures have been fixed and we are looking out for enforcement actions to be coming down the pike against brand owners that are not actively pursuing the covenant or reasonable approaches. So that co-regulatory framework actually seems to be sending the right signals to the right parties.

MR MAHAR: The other thing is with those views that perhaps the covenant is driven by industry and industry sort of getting away easily, I guess - if that's what you're suggesting - possibly were based on the views of the previous covenant. I think that's widely acknowledged as not a perfect vehicle. It was an arrangement that required some specific improvement. Industry acknowledged those improvements and think the revised covenant certainly provides for a mechanism that will accurately measure and provide some base for future policy. So it's probably a little bit of view on the previous performance of the covenant, which couldn't be measured.

MR WEICKHARDT: You say in our critique of EPR schemes generally that Australia's recycle rate is already pretty high, and the marginal cost of extra recycling will continue to increase significantly. I think you cite that it is something like 48 per cent at the moment - that's consumer packaging - and the new target is 65 per cent.

MR MARTIN: The recent figures for the EU15, where extensive regulatory measures are in place, is that they are at 55 per cent. Reports are saying that decision-makers are increasingly saying, "We think that's about the maximum that we'll be able to achieve in a remotely efficient manner." Those costs are significantly higher than what we have in Australia and yet, through a largely voluntary approach, we are in the ballpark of 5 per cent - within 5 per cent of the packaging recovery rates that we see with far more expensive programs.

MR WEICKHARDT: Do you have a concern that in pushing to 65 per cent that the costs are going to start exceeding the benefits very quickly?

MR MARTIN: Potentially, and that was a concern we raised in the development of targets. If you look overseas, most systems have actually moved away from hard targets. They're finding that generally they're not achieved, or there is too much argument in their development and not enough on-the-ground implementation. One of our concerns was that the resulting overemphasis on the need to achieve those targets might mean that resources get diverted from other areas where there is also considerable room for gains and room for environmental improvement.

MR WEICKHARDT: How is the industry proposing to tackle that issue?

MR MARTIN: The current process is that industry contributions, which every company signatory pays, are matched by government. We are represented on the national projects group which is deciding how to invest covenant funding in the way that best achieves those targets. It's recognised that the covenant targets are system-wide targets; they're not just industry targets. Governments also have responsibilities, particularly enforcement of the underpinning legislation and promotion of the covenant and related issues. There is also a role for local government to continue to improve the efficiencies of their collection programs.

MR MAHAR: I think that there is a wide acknowledgment that the targets will be difficult to achieve. I think there is an understanding that there is certainly improvement that can be made, but 65 per cent is going to be a challenge for industry and the system itself, so it will require input from not just industry, as Russ mentioned, but government, local government jurisdictions.

MR WEICKHARDT: Thank you very much indeed for your submission and for

your point of view.

MR MAHAR: Thank you.

MR MARTIN: Thank you.

MR WEICKHARDT: We'll adjourn briefly.

MR WEICKHARDT: Our next participant is the Local Government and Shires Association of New South Wales. If I could get you just to formally introduce yourselves and your positions, that would be good.

MS McCAFFERY: I'm Genia McCaffery, and I'm president of the Local Government Association.

MR SULLIVAN: Col Sullivan. I'm president of the Shires Association of New South Wales

MR VERHEY: Robert Verhey, strategy manager, environment, of the association.

MR WEICKHARDT: Thank you. You should assume that I've at least had a chance to look at your submission, although it was in confidence, I think. I'm not sure when you're going to make that an open submission, but you might like to speak to the main points of that.

MS McCAFFERY: I've been elected to speak on our behalf, so thank you very much for providing us with the opportunity to attend the hearing and speak with you today. As you may be aware, the associations represent 152 councils across New South Wales. We've provided a draft submission to your inquiry, which I trust has provided you with a preliminary indication of our views on waste. These views have been developed over some 10 to 15 years of ongoing negotiations, lobbying and policy evaluation. We've seen, over that time, both the rise and demise of many state government departments and many national and state initiatives.

Through all of this local government has prevailed, providing the hands-on service for waste management in our communities. We are really the front-line provider, service provider for waste, and we have really, I think, been dismayed that we often see policy being developed behind closed doors by both bureaucrats and state and federal politicians, whose only interface with the waste policy arena has usually been setting out and collection of their own bins at home. So we really do welcome the opportunity to assist the commission in providing some strategic advice on future directions in waste management.

MR WEICKHARDT: I'm not sure our practical interface is much more than that, but hopefully with input from others we will put more.

MS McCAFFERY: Good. It's silly obviously for me to rehash the written submission and we'd rather have an interchange with you today. But briefly I'll just touch on the submissions. You mentioned that it's in confidence. It's been adopted by our policy committee for the environment today and it will go up to our executives, but it had a ringing endorsement today from our committee, so I think we

can pretty much say that it is now the policy of the association's response and you can take it as not a draft anymore.

MR WEICKHARDT: So we can release this now on our web site, can we?

MS McCAFFERY: Yes, no problem at all.

MR WEICKHARDT: Right, thank you.

MS McCAFFERY: Let me just touch on the major points. The waste hierarchy which local government strongly supports and we believe has some - what has been sidelined in the quest for technological solutions at the tail end of the product cycle; we believe there's a need for vigorous objective data that can be compared across distance and time, and isn't just a reflection of a chequebook statistic. We think we need a more proactive genuine regulatory approach by both state and national government, to provide a rigorous, but level playing field, for the manufacturing and packaging industries. Frankly, the much touted co-regulatory approach and the softly, softly voluntary approach on industry, we believe, has yet not demonstrated that it works and we don't believe that it will.

We remain committed to a genuine extended producer responsibility framework and a closing of the loop on products by those who voluntarily enter the marketplace to make a profit from the production of materials; manufacturing and packaging industries. We believe the much touted co-regulatory approach and that softly, softly approach just haven't worked.

Life cycle accounting of the costs and benefits of materials from an economic, social and environmental standpoint - and, after all, the triple bottom line approach isn't a surprise to any of us. These are the principles of ecological sustainable development and they're in legislation at every level of government: national, state and local. We all make that commitment in our legislation that that's how we'll approach policy and yet, sadly, we see very little of that real ecologically sustainable development in how we carry out policy at the active level. We think the application of levies raised to the purpose intended - that is, to bring about waste reduction and not just as a back-door tax. Those are sort of the general principles. Thank you very much for allowing us to present our submission. We're very happy to answer questions and expand on any of the matters.

MR WEICKHARDT: I might start off by asking a general question. It seemed to me that from submissions that have already been made to us local government have a love-hate relationship with waste management; on the one hand they protest that it's a huge burden on local governments; it's a huge cost; that faceless bureaucrats, as you've pointed out, make policies that put huge costs onto local government. We had

a regional group of local government councils say that it becomes impossible for them to agree between themselves on where infrastructure to handle waste should be sited, that they've got to defer to the state government for that.

We've had others point out that contracting with other people is not done efficiently at a single-council level, that regional councils are required to get critical mass. Given all those things, does it make sense for local government to still have responsibility for waste or has the time come when the state government just ought to take over waste collection and disposal entirely?

MS McCAFFERY: Look, realistically local government is the level of government that's appropriate to handle waste because they're at the local level. That's generally where waste is generated. We're the best vehicle to do it. I guess our major objection is that we carry the burden for state policies that make the cost of managing waste - most of the policy decisions which have been taken are making the cost of collecting waste higher and higher. I guess that's been our commitment both to container deposit legislation and to extended producer responsibility; that if industries make money from producing a product, part of the collection of any waste that comes from that production should be part of the cost of that item. It shouldn't be just left as litter, left as waste. In fact, it should have a value. You know, in a capitalist system that's a sensible way - that should be built in as part of the cost of that production.

MR WEICKHARDT: We've had lots of people presenting lots of divergent views to this commission, but I don't think anyone has advocated that litter is good. I think we can all agree that that's an undesirable consequence. But, I mean, at the end of the day it's the consumer that ends up paying. The consumer ends up paying if you load a deposit on or some cost on the manufacturer, and it's ultimately not local government that pays for waste disposal. It's the ratepayer that pays.

MS McCAFFERY: Yes. Well, the consumer is paying now.

MR WEICKHARDT: Correct.

MS McCAFFERY: And it's paying at the local government level.

MR WEICKHARDT: So the question is: where is the most appropriate place for the consumer to pay that gives the best outcome for society?

MS McCAFFERY: I go back to when we talked about sustainability. But in every level of government legislation, environmental sustainability is meant to be a principle of how we develop policy. If you don't put a value on a product in a capitalist system, it becomes waste, effectively. So if a manufacturer doesn't have to

pay for the collection of the waste product, it encourages them to put more and more packaging on a product because they have no economic incentive to reduce packaging because they don't have to worry about it. At the local government level that's how it's handled.

MR WEICKHARDT: I'd just point out to you that it costs money to package products. I think manufacturers would argue - probably our last participants would argue - that they've got a lot of economic incentives to try and minimise the cost of the packaging commensurate with trying to avoid the product being damaged or being destroyed or contaminated in the process.

MS McCAFFERY: Look, we've got hundreds and hundreds of examples where industry practice does not support that; where there is excessive and unnecessary packaging.

MR WEICKHARDT: But as judged by whom?

MS McCAFFERY: Well, you know, experts can look at it and say that there's a level of packaging in lots of products which is unnecessary.

MR WEICKHARDT: Why do you think industry does that? Just to make your life hard?

MS McCAFFERY: No, because they're not compelled. Packaging unfortunately is fairly cheap and they're not compelled by having to be forced to deal with the waste end of it; to actually go through the thought processes to reduce the packaging.

MR WEICKHARDT: I'd have to say I find that surprising.

MR VERHEY: Can I suggest two examples that come to mind? Blister packs would be one where the packaging probably serves more of an advertising purpose, an eye-catching purpose, than what is actually needed to protect that product for use. The other one would be the prevalence of multi-plastic beverage containers that we've seen in the last few years, where the manufacturers don't really have to deal with the consequences of there being four different types of plastic in a container, but we do. They don't have to make decisions because it's not going to come back to them. Effectively someone down the line is going to deal with that.

MR WEICKHARDT: Our last participants were arguing the national packaging code puts a lot of emphasis on them having to take responsibility for that. Don't you see that that has that consequence?

MR VERHEY: We're sceptical, because in the five years of the first covenant it's

pretty hard to point to any really measurable outcome. I think we'd be on common ground there. The first covenant was not good in terms of measuring outcome. The second one is better and there are some triggers built in at the mid-term review which we actually had to fight pretty strongly for. The other thing we fought strongly for was a disaggregation of packaging types because industry does like to say, "We're already achieving 50 per cent. We're not going to get it much better than that." But if you look at the individual products - and we did itemise these in our submission - some of the materials, like plastic, are down in the 20 to 30 per cent range. It's our view that it's actually commodities like paper and aluminium that are pulling that overall total up to what looks like a pretty good result.

MR WEICKHARDT: That having been said, a lot of people have made representations to this commission and this inquiry that a lot of focus ought to be on resource conservation in this whole exercise. The very process of recycling and recovering consumes resources, and so I think at first principle you have to try and weigh up the cost of recycling, recovering and reprocessing against the values that are being, if you like, recovered in that process. How do you try and tackle that, in your mind, and what do you think is an appropriate way that society should weigh these issues up and arrive at an appropriate sort of target?

MS McCAFFERY: I guess that's exactly our argument, and we can only concur with what you've just said; that the whole focus has been on recycling and not on reduction at the production end. We would absolutely advocate that the thing that we need to be doing is actually minimising packaging and not focusing on that you solve everything by recycling it at the other end. That's what I guess EPR is about. EPR is about: that, as a producer, you take responsibility for the waste that you produce and you actually start to put a value - you look at waste not as litter but as a resource.

MR WEICKHARDT: My point was: there does come a point of diminishing return. It would be ridiculous going around and picking up every cigarette butt and unwrapping the paper off it, and recovering the paper from that possibly would consume more resources than you saved in the process. The question I was asking you is: how does local government try to reach a decision on that? We're grappling with this issue. It's a very complex issue and difficult to understand, so I guess I'm interested in how you formed the judgment that at the moment we're way away from where we need to be.

MS McCAFFERY: I think the classic one - and Col could probably talk more effectively at the shire level - is that it's obviously more environmentally sound to be recycling in a metropolitan context than in a remote shire context, because the amount of fuel that you'd be consuming to go and collect recyclables would, from an environmental point of view, certainly offset the environmental values you get about recycling. So you've got to look at a whole-of-product life cycle and not just say,

"Well, if you're recycling things, it's better." You've actually got to look at the whole environmental cost of that recycling process.

MR WEICKHARDT: Somebody else pointed out to us in Darwin - there's no glass bottle manufacturing within a long way from there and by the time you've moved glass down to a glass manufacturer - - -

MR VERHEY: It's not worth it.

MR WEICKHARDT: - - - you've consumed many more resources than you'd save, so there you should look at maybe using glass as a roadbase or something.

MS McCAFFERY: Yes.

MR VERHEY: I mean, there are a number of ways to try and grapple with issues like that. One of them could be backloading, for example, because obviously the glass is going up there with something in it. So there are probably opportunities to do smart solutions to - - -

MR WEICKHARDT: Maybe, but I think you accept the point that one size doesn't fit all.

MS McCAFFERY: No, absolutely not.

MR WEICKHARDT: You have to make judgments on individual items to try and make sure we're not needlessly consuming resources and being even more profligate.

MS McCAFFERY: Yes, absolutely.

MR SULLIVAN: You gave the example of the cigarette butt, and I agree with you 100 per cent. It's not economical, but our communities still expect that to be picked up and cleaned up.

MR WEICKHARDT: If I was the grand dictator, I'd ban cigarettes. Unfortunately, I don't have that right.

MR SULLIVAN: But that could be applied to a lot of issues.

MR WEICKHARDT: Yes. Okay. I guess the issue of shires and the difficulty that shires have complying with some of the standards that are being set for the urban areas is an interesting point. We've had somebody make a point that one of the sort of perverse outcomes that could arise from the New South Wales government's decision to increase the levy is that cars in remote areas will no longer be picked up

and brought to recycling and shredding operations because the shredders produce flock and there will now be a levy, which will make it unaffordable to pick the cars up. As a consequence, a car might bizarrely now go to landfill, whereas it was going to be recovered before. Are you seeing some sorts of outcomes from overall rules being produced at the centre that mean that the shires are left struggling?

MR SULLIVAN: The shires are going to be left struggling, and the smaller the community the harder it's going to be. Your example of cars is a good one because it just won't be economical for people to come out and pick those cars up. If you put them back into landfill, that's not achieving what we'd all like to achieve.

MR WEICKHARDT: No.

MR SULLIVAN: That can be applied to a lot of things. The smaller the community - and distance is one of our troubles. You might travel 300 kilometres between a community of only 2000 in one and 2000 in the other. The advantage that city people have got is the weight of numbers, but that just makes regional New South Wales that much more difficult.

MR WEICKHARDT: Yes.

MR SULLIVAN: It will be a problem.

MR WEICKHARDT: What about the sorts of conditions for landfill? We've been told that modern landfills should be lined, they should have gas recovery, odour control, leachate recycling and all sorts of things, which again sound feasible in a large facility.

MR SULLIVAN: Once again, once you get down to a certain level of community, that's very difficult to achieve - almost impossible - because of the cost factor of it. I think you'd find most communities, and particularly rural and regional that I represent, support the concept of trying to save rubbish and trying to build nice landfills, and very effective ones, but the economics of it just aren't there for the smaller communities. The more restriction, the more rules and regulations, the harder it's going to be.

MR VERHEY: It's probably worth saying that some of our regional landfills in New South Wales, I think, are best practice.

MS McCAFFERY: Yes, they're better than the city ones.

MR VERHEY: Because there's more of a community interaction. It's part of the community, whereas in Sydney - I mean, I don't feel aligned to any particular facility

myself. Can I just go back to that issue of the shredder flock, because I know that the metal recycling industry did express some serious concerns when it was announced that the levy was going to go up. It sort of goes back to our original issue. I think the car recycling business is fundamentally flawed, in that it produces too much shredder flock.

If there was a genuine effort to dismantle and take off the parts that are not - for example, in Europe there are restrictions on how many types of plastics you can use in a car and, because we buy cars that are manufactured there, you often see that. We're getting the benefits of that as well. So there are ways to deal with that, and the industry, rather than complaining about the additional cost to them, should be looking at better ways to dismantle those cars so there's less residual waste through the process.

MR WEICKHARDT: The New South Wales government did make that point this morning. Of course, this is a perfect example of some of the sort of bizarre outcomes you get by focusing on a single issue. You've got more shredder flock now from cars than you used to because, in the interests of fuel economy, car manufacturers were pushed to look at lightweighting, which meant they substituted a lot of metal components for plastic. So we solved one problem but we created another one.

MS McCAFFERY: Created another one, yes.

MR WEICKHARDT: You made a point about the levy and the fact that you effectively see it as a tax and you'd like to see more of it devoted to help councils. How do you believe that that should be administered and what's happened when you've made those representations to the state government?

MS McCAFFERY: We have been pushing for a long time to get a guaranteed percentage of the levy returned to local government for waste-related activities. We've now been able to achieve that as a five-year agreement with the present minister. Unfortunately, we wanted it enshrined in legislation so that subsequent governments or subsequent ministers after the five years don't change it. Until you do have a guaranteed legislative percentage, it is just effectively another tax. We're not going to give up on that, and we're certainly happy that the minister has finally been able to convince the Treasurer to give this guaranteed percentage. We would keep on looking for that to be really enshrined in legislation, because that's when you can guarantee it.

MR WEICKHARDT: But if you got the guaranteed percentage, how would you see that being allocated and who would make the decision on whether it all went to Col's shire - - -

MR SULLIVAN We'll take it.

MS McCAFFERY: It's going to be administered through the Environmental Trust, which has now been expanded to deal with these waste funds. Col and I have written to all our members, encouraging them to make applications for grants, and I would hope that the trust will fairly distribute those funds across councils, based on the strength of their submissions.

MR VERHEY have had discussions with DEC about this and there's a preliminary agreement, for the first year at least, that 50 per cent of the additional levy paid in the year 2006-2007 will be reimbursed to councils provided they meet certain specifications in their delivery of waste and recycling services. Those specifications are fairly benign in the first year, but there's obviously the potential for the state government to, I guess, put the screws on to some extent to raise council performance in recycling, and the sort of issues we're bringing up today are likely to come to a head again if we don't feel there's sufficient pressure being put on the production chain as well.

MS McCAFFERY: And given that it's only the greater metropolitan councils that are currently paying the levy, I don't think that will disadvantage shire councils because they're not currently paying the levy anyway - because they're unlikely to be able to perform at the level that is going to be required to get that 50 per cent back.

MR WEICKHARDT: Is it not proposed that the levy be extended to all regions?

MR VERHEYt as far as I'm aware.

MS McCAFFERY: No, it's only greater metropolitan Sydney, basically Wollongong through to Newcastle.

MR WEICKHARDT: We had this morning the Compost Association tell us that they've got this great dilemma that there's lots of input being diverted now, green waste being diverted and lots of compost being manufactured, but unfortunately a lot of it is a long way from potential markets, and they claim that this is good stuff and has got potential value but it's too expensive to get to the market. In rural areas I guess one might expect that if this material were available then maybe it's closer to market. Do you have any experience in any of the more remote shires of compost being generated and actually sold at commercial values?

MR SULLIVAN: The only experience I can really speak about with any authority is my own council, which is Richmond Valley Council on the North Coast, a council of 20-odd thousand people. We mulch a lot of our waste. We do all that sort of stuff. It's available there for sale, but from time to time we even try to give it away

because we're producing a lot more than the locals take. Many times you'll see at weekends where a person will come with a trailerload of rubbish and take home a trailerload, and we load it free of charge. That's the sort of encouragement we're giving to see people reuse it. There's no potential market as far as making money out of it.

MR WEICKHARDT: No? You don't see farmers wanting to use it?

MR SULLIVAN: No, I don't. From their point of view, costs have beat them handling it a lot of times.

MR WEICKHARDT: Litter, I think everyone is agreed, is a real menace. What is it that you in local government and shires have found is most effective in terms of reducing the amount of litter? It seems that it's an issue that everyone is wrestling with.

MS McCAFFERY: The greatest ad for CDL is, you can tell the border between New South Wales and South Australia by the amount of litter on the road, and it's quite stark.

MR WEICKHARDT: Albeit that the South Australians showed us - and they promised that they would try and convert these numbers into volumetric amounts, but they showed us their statistics on litter count and the biggest item on litter count is cigarette butts, and then I think in their hierarchy there were wrappers and all sorts of things. There was nothing in their top 10 list of litter count that was in the sort of container deposit area.

MR VERHEY: That makes the point, doesn't it?

MS McCAFFERY: Exactly. But then come to New South Wales and you'd have a very different story.

MR WEICKHARDT: That might be true, but the issue is, they still haven't got on top of controlling all these other things that people litter. Interestingly, in their top 10 there weren't supermarket bags, which is interesting given the national desire to ban supermarket bags. Litter, whether it's products that have a deposit on or not, does seem to be an issue and councils get to clean it up. What have you done to try and limit that?

MS McCAFFERY: Basically, councils spend - and, I mean, I'm the mayor of North Sydney and I've been there for 10 years, and every year we increase the budget significantly and it's never enough.

MR WEICKHARDT: And is enforcement against illegal dumping onerous enough do you think?

MS McCAFFERY: We have tried. We've got a huge number of units in our council area and so we have a big problem with illegal dumping. If you get a high turnover of residents they tend, when they move out, to simply leave all the litter there. We have rangers even going through the dumped rubbish to try and identify who the person is who's dumped it, but it's very difficult. Our rangers say unless you actually see the person dumping the rubbish, and then you're able to identify them, and you have photographic evidence, that's about the only way. So the difficulty is how do you stop people when there's no easy way of enforcing?

MR WEICKHARDT: Who is supposed to enforce that? Is it a local government responsibility?

MS McCAFFERY: It's a ranger's responsibility.

MR WEICKHARDT: Do you keep putting more money into that?

MS McCAFFERY: More money into that, and more money into education. We have new resident packages that we put out to people when they come to North Sydney that we distribute through the real estate agents. We have litter education officers that go out and speak regularly to people, but I guess it's one of the downsides in densely populated areas that litter is a big issue.

MR VERHEY: It's hard to put a financial figure on it because it's cut up in so many different ways by different councils. It's part of their engineering budget or their environmental budget or whatever. But the figures we got from Blacktown surprised us. They're in the millions, and that's a huge drain on the public purse when you think about it, per year.

MR WEICKHARDT: Bizarrely and tragically, I think somebody has told us that the Smith Family or the Salvation Army - one of those charities - spends $300,000 a year getting rid of product that's put into their hoppers illegally as rubbish. I'm not sure that we're going to be able to solve that problem.

MS McCAFFERY: No.

MR WEICKHARDT: We all share, as you say, the cost and the downside of it.

MR VERHEY: Can I suggest that - and we've already touched on this - it's really a three-pronged approach. It's a regulatory one, it's an educational one, and it's an economic one. We've had some very good cooperative programs run with our state

Department of Environment and Conservation in the education and in the regulatory way, and we'd probably say that the economic options haven't been fully explored. There we'd point to putting a value on the items that are commonly littered so that people don't actually litter them, they do something more useful with them.

MS McCAFFERY: I remember when there was a deposit on containers when I was young. You would wander around the beach picking them up because you could actually take it somewhere and get the money for them. It is a classic thing. If you don't put a value on something, people see it as worthless.

MR WEICKHARDT: Hopefully we can continue to educate people to put a value on having a litter-free environment and making it socially a completely unacceptable practice to throw product out in a littering way. One other issue I'd just like to comment on that has been put to us by some in the recycling industry is that, particularly in the construction and demolition area, they have been continually frustrated - and I can't name locations or places, but they cite a constant frustration that when they try to get state and local governments to buy product that's been recycled they get rejected by people saying, "We have a specification for roadbase," and they read the specification out and the specification is not a performance based specification but a specification that cites the use of virgin quarried material. Everyone I put this back to in local government or state government has said, "Well, it's not us," and yet the recycling people say it's a constant frustration to them. Do you have a policy at your association that all your specifications ought to be performance based and shouldn't discriminate against recycled material?

MS McCAFFERY: Absolutely. I think our policy is actually the other way; that in fact it should be encouraging the use of recycled materials. Paper, for instance, we promote very strongly for councils. Even if it costs them a little bit more money, they should be leading by example; they should be using recycled paper.

MR WEICKHARDT: But roadbase and recycled glass and stuff like that - - -

MR VERHEY: We actually employ an officer with DEC funding to promote that to council, and we have an alliance called the Local Government Biorecycle Alliance. Of course, the major hurdle, as you'd be aware, is the financial one because even if the specifications are the same, it's likely that the recycled product will cost more, so what we're trying to do is develop economies of scale for councils in their purchasing, so that we can overcome that financial barrier. I don't think those technical specification barriers necessarily have a lot of credence, except perhaps historical - the way we've always done things.

MR WEICKHARDT: Yes. We are all fighting changed behaviour here. A lot of it has been enshrined in history for a long while, too.

MS McCAFFERY: Maybe it's worth the federal government looking at some kind of GST incentive initially - you know, a reduced level of GST for recycled products - because there definitely is a cost inhibitor on their use at the moment.

MR WEICKHARDT: In some cases, I'm told - not all cases but in some cases - these people in the construction and demolition area have said they have got the product, the performance is great, the cost is equivalent, and yet they are still rejected - not for cost or performance reasons, but because of specification, which seems a bit bizarre.

MS McCAFFERY: Certainly we would look at that, but that has not been the way that we have been implementing policy up to date.

MR WEICKHARDT: Right, okay. Thank you very much indeed for your participation and your submission. It's been most useful, thank you.

MS McCAFFERY: Thank you.

MR WEICKHARDT: Ladies and gentlemen, that now concludes today's scheduled proceedings. For the record, is there anyone else who wants to appear today before the commission? If you want to appear you need to come up here and register.

MS .....: I only wanted to tell you that ITU-Nolan have done a report which says American consultants in a (indistinct) consultancy firm - and they have actually given a report to your Liberal government.

MR WEICKHARDT: My Liberal government?

MS .....: The environment and heritage department, and that report said that you can take recycled aggregate twice across the country at (indistinct) and it still saves money. So there is a report that exists, and the Department for Environment and Heritage have that report.

MR WEICKHARDT: Okay. Thank you.

AT 5.12 PM THE INQUIRY WAS ADJOURNED ACCORDINGLY

INDEX