WESTERN AUSTRALIAN
LOCAL GOVERNMENT ASSOCIATION

Draft MWAC Supplementary Submission to The Productivity Commission Inquiry into Waste Generation and Resource Efficiency

PREPARED BY THE

MUNICIPAL WASTE ADVISORY COUNCIL
"Getting the Environment Right"

March 2006

Organisational Profile and Acknowledgements

The Municipal Waste Advisory Council is a standing committee of the Western Australian Local Government Association with delegated authority to represent the Association in all matters relating to waste management.

The Municipal Waste Advisory Council has been formed through collaboration with Regional Waste Management Councils who are not ordinary members of the Association. The resulting body effectively represents the views of all Local Government bodies responsible for waste management in Western Australia.

Decisions and positions adopted by the Municipal Waste Advisory Council are considered by a board of elected member representatives from each member organisation who are supported by an Officers' Advisory Group (OAG) which has officer representatives from each member organisation.

The Municipal Waste Advisory Council's member organisations are:

The Western Australian Local Government Association
The Eastern Metropolitan Regional Council
The Western Metropolitan Regional Council
The Geraldton Greenough Regional Council
The Southern Metropolitan Regional Council
The South East Metropolitan Regional Council; and
The Mindarie Regional Council

1.0 Summary

MWAC provides this supplementary submission in response to the submission by the Business Roundtable on Sustainable Development (BRSD) to the Productivity Commission Inquiry into Waste Generation and Resource Efficiency. The supplementary submission is designed to show that the BRSD's attack on waste policy is based on arguments about policy legitimacy, rather than policy efficacy or efficiency. This flows from the BRSD's rejection of the fundamental objective of reducing resource consumption.

The supplementary submission recaps some of the important definitions and arguments raised in the initial MWAC submission. It then goes on to identify, describe and respond to four important arguments articulated in the BRSD submission. These arguments are, briefly:

a) The argument that the waste hierarchy dominates the thinking of waste policy makers and that waste policy reflects this;
b) The argument that sustainability-focussed waste policy is a product of political convenience and a series of misunderstandings in the community about the real impacts of waste;
c) The argument that resource efficiency is only meaningful if expanded to include all economic inputs – ie we should consider economic efficiency in stead.
d) The argument that waste policy should only consider the immediate, direct impacts of waste and that resource conservation should be targeted elsewhere.

The supplementary submission responds to these four arguments individually as summarised here.

a) Environment agencies have not placed a great deal of emphasis on the waste hierarchy in Australia. State environment agencies have demonstrated a more sophisticated understanding of the waste hierarchy than the BRSD concedes.
b) We argue that sustainability-focussed waste policy has emerged precisely because the most important environmental impacts emerge from the broader behaviours which generate waste. We observe that the BRSD's interest in limiting the focus of waste policy to direct impacts is consistent with a lack of commitment to the objective of reducing resource consumption.
c) We assert the importance of defining resource efficiency with specific reference to natural resources and reject the notion that environment agencies should be made responsible for defending all values equally. We note that other government agencies are expected to pay particular attention to a limited set of core objectives and argue that the same should be true in the area of environment.
d) We reject the notion that waste policy has no proper stake in resource conservation objectives. Moreover, we challenge the idea that the sustainability-related objective of reducing resource consumption is likely to find a better, more efficient champion in other government portfolios.

In our closing remarks we call for the BRSD to disclose its views on the legitimacy of the 'resource conservation object' and to articulate a vision for addressing the concerns it sees waste policy makers as inappropriately addressing at the end of the system. We suggest reasons why environment agencies find themselves tackling the issues associated with sustainability without significant support from other portfolios. Finally, we set out why the failure of the BRSD to disclose alternative approaches to achieve the objective of resource conservation is so telling and we provide suggestions to the Productivity Commission on how it might proceed in the absence of these alternatives.

2.0 Introduction – Reason for Supplementary Submission

2.1 General

In February 2006, we provided the Productivity Commission with a Submission into its Inquiry into Waste Generation and Resource Efficiency. At the beginning of March 2006, we made an oral presentation before the Productivity Commission. Since then, we have reviewed some of the submissions made by other stakeholders, as well as the transcripts of proceedings to monitor the issues emerging. We have been especially interested in one submission, that of the Business Roundtable on Sustainable Development (the BRSD) and we take this opportunity to respond to some of their arguments.

2.2 Why is the BRSD submission special?

Commissioner Weickhardt drew our attention to this submission during the hearings held in Perth and our subsequent review of the document and the transcript confirm that the arguments advanced by the BRSD are of great relevance to our own position. As with our own submission, the BRSD submission has addressed the issue of policy legitimacy and thus cuts to the very heart of whether governments can justify intervention.

2.3 Policy legitimacy

We distinguish between questions of policy legitimacy and those concerning policy efficacy and efficiency. Assessments of efficacy and efficiency are generally based on comparisons between different policy responses to determine which delivers the greatest benefit for least cost. On the other hand, the question of legitimacy turns on whether one is satisfied that there is a satisfactory case for any kind of intervention. We consider that it is crucial that the present debate proceed on the basis of a clear understanding of when we are arguing about means and when we are arguing about ends.

The BRSD submission has challenged the legitimacy of a wide range of waste policies. The challenge is not based on a demonstration of the actual inefficiency or inefficacy of these types of policies. Rather, the BRSD has simply asserted that waste policy not the appropriate field from which to address upstream environmental impacts. The MWAC submission on the other hand, argued in favour of the legitimacy of precisely this focus, on the basis that:

a) sustainability concerns underpin an imperative to plan to ensure that certain outcomes are achieved; and
b) there are few viable alternatives to waste policy currently on the table.

In making this supplementary submission, we seek to show that the BRSD's attack on waste policy is based on arguments about policy legitimacy, not policy efficacy or efficiency. Its arguments range from depicting state environmental agencies as dogmatic, to suggesting that communities are confused, to asserting that other portfolios would deal with the issues better. Ostensibly, some of these arguments appear to proceed from a concern with efficiency or efficacy. However, in an analysis which was truly concerned with finding the best means of achieving the policy objective, we would expect to see some meaningful alternatives proposed. The BRSD submission pointedly avoids endorsing the objective of reducing resource consumption – in other words, they refuse to accept the legitimacy of the objective.

3.0 Recapping Key Points from Initial Submission

3.1 Definitions

Natural Resources	Analogous to natural capital, these include energy, minerals, wood, petrochemicals, land and many other physical resources. They also include so-called ecosystem services which provide a range of intangible things to society, including the capacity to assimilate our gaseous, liquid and solid wastes.
Resource Efficiency	The relative quantity of natural resources required by a particular process per unit of output
Sustainability	The achievement a rate of consumption of the planet's natural resources which is able to be ecologically supported indefinitely.

3.2 Where is waste policy heading?

We argued that waste policy in Australia exhibits declining relevancy, as it moves along a continuum of direct impacts towards indirect impacts associated with waste. In this, we appear to enjoy support from the BRSD submission. However, from this point, we argued in favour of renewing the focus on indirect impacts on the basis that this will be the only way that waste policy makers will make a serious contribution to sustainability.

3.3 Rationales for intervention

We enunciated rationales for intervention besides the already recognised rationale of correcting a market failure. We introduced the term *planning imperatives* and argued that these frequently provide the rationale for undertaking an intervention.

3.4 Product life-cycles

We introduced the conceptual model of a product lifecycle and explained how it informs the thinking of waste policy makers. In particular, we noted that the product life-cycle reminds us that resource losses occur through every stage in the chain and suggests that the losses at the bottom of the chain are perhaps only a fraction of the total losses incurred during the lifecycle.

3.5 Material and Energy Markets

We presented a view of the various markets which determine the nature, rate and trajectory of material and energy flows through the product lifecycle which distinguished between: energy and material markets; consumer products markets; and waste services markets. We suggested that the global nature of energy and material markets and the importance of political factors commoditising natural capital reduces the scope for these markets to:

- Reflect all costs; and
- Be 'corrected' through interventions by individual governments.

3.6 Direct Impacts of Waste and Waste Management

We identified and discussed the direct impacts of waste and waste management and the role of waste policy in addressing these. We acknowledged the particular relevance of the market failure rationale for intervention in the case of these types of impacts. It appears that it was this category

of impacts for which the BRSD submission concedes a role for government intervention to address externalities.

3.7 Indirect Environmental Impacts of Waste

We identified and discussed the indirect environmental impacts of waste, linking the act of discarding materials or energy as waste and the requirement for virgin natural resource inputs to take their place. At its simplest, our argument on this point was that when materials and energy are not recovered from the waste stream, we create upstream environmental impacts, because replacements necessitate the liquidation of natural capital.

3.8 Indirect Structural Impacts of Waste Management

We finally moved our discussion towards the facilitation role that waste management plays in a resource intensive consumer economy. In this section, we attempted to show how the gradual development of waste management services has assisted to obscure the problems associated with ever expanding consumption of materials and energy. We submitted that ultimately, only deep changes in consumption patterns will be sufficient to achieve sustainability. From this point, we argued in favour of waste policy bold enough to target consumption patterns.

3.9 Price the natural inputs

We called for Australia to begin working domestically and internationally to correct the market failures which prevent appropriate pricing of natural resource inputs. We advocated urgent work on the analytical frameworks for pricing externalities into production processes. In this, we were particularly concerned that the currently un-factored resource requirements of future generations be considered. We pointed to trading schemes as a promising strategy for ensuring resources are recognised as finite and priced accordingly.

3.10 Avoidance

Finally, we put it the Productivity Commission that sustainable consumption[1] will ultimately require a reduction in the quantity of physical products being bought and sold. We suggested that waste avoidance, though maligned and ignored as a policy objective, is an central piece of the sustainability puzzle. We did not explore the economic, political and social implications of policies designed to reduce consumption. Rather we simply argued that without such policies, we would become an unsustainable society[2].

Clarification:
For the purposes of the Inquiry, we think it sensible to consider waste avoidance as a restatement of the concept of consumption reduction. Thus, while we discussed education as an example of a waste focussed policy response to achieve a reduction in consumption, one might equally consider a tax on carbon to be a consumption reduction measure since it would increase the cost of an energy intensive good and reduce demand for it.

[1] Where consumption is used specifically in reference to the consumption of materials and energy.
[2] We note that many would argue we have already become unsustainable.

4.0 Arguments of Interest from BRSD Submission

4.1 The *waste-hierarchy-rules* argument

The BRSD Submission makes the following assertion on p 9:

> *good policy and regulatory process has been compromised in much recent waste policy development that has been dominated by the waste hierarchy and waste minimisation objectives, and by the shift from direct, observable impacts associated with waste disposal to postulated problems further up the supply chains.*

This argument seems to be that the conceptual model of the waste hierarchy dominates the thinking of waste policy makers and that waste policy reflects this. The argument is presumably based on more than the observation that the waste hierarchy is statutorily enshrined in many states. It implies that the legacy of the waste hierarchy can be found within the actual policies and practices of government.

4.2 The *wrong-locus-for-sustainability-policy* argument

The BRSD Submission makes the following assertion on p 10:

> *Such community aspirations [re sustainability] have encouraged governments to broaden the rationale behind waste policy goals, beyond disposal externalities to include upstream life-cycle impacts associated with waste materials.*
>
> *This change in policy focus, fuelled by misinformed community aspirations has had a snow-ball effect across the country, with significant negative ramifications in respect of productive resource utilisation efficiency.*

The argument here appears to be that addressing sustainability aspirations through waste policy has been the result of a political convenience and a series of misunderstandings in the community about the real impacts of waste. This argument that sustainability-focussed waste policy was born of mistakes and misunderstandings serves the BRSD in two ways. Firstly, it prepares the ground for the assertion that these policies are badly designed and inefficient. Secondly, it indirectly calls into question the legitimacy of the objective of resource conservation. This strategy of directly criticising the methods while undermining the objectives indirectly is repeated elsewhere in the BRSD submission.

4.3 The *waste-policy-and-economic-efficiency* argument

The BRSD Submission states on pp 12 that:

> *Within a risk-based and value-focused waste policy framework the aim is to identify opportunities for efficiency gains through the recovery and re-use of resources, but only where it will contribute to an improvement in overall economic efficiency, including avoiding external costs such as pollution.*

This argument mirrors remarks made in the Productivity Commission's own issues paper, under the heading "resource efficiency". Implicit in the argument is that policy makers (from any sector) should not concern themselves specifically with the rate of natural resource consumption, since natural resources are simply part of a larger set of economic inputs. Rather the BRSD asserts environmental policy makers need to analyse action in terms of economic efficiency and interventions can only be justified on the basis that economic efficiency is maximised.

4.4 The *wrong-portfolio* argument

The BRSD Submission states on pp 13 that:

> *waste management policy will rarely be an efficient means for improving natural resource conservation when a significant portion of the associated natural resources are destined for markets other than those involved in waste streams in Australia. Resources policy generally needs to be pursued within resource sectors.*

According to this argument, waste policy should not be used to address the upstream impacts of a 'wasteful' society, such as accelerated resource depletion. The argument posits that waste policy, for the most part, can only be sensibly and efficiently directed towards the immediate, direct impacts of waste. The only qualification to this general principle, appears to be where waste policy can assist in overcoming very specific technical or structural barriers, thus helping to make the recovery of resources economic. This argument leaves open the question of which government portfolios should take responsibility for addressing the rate of resource depletion.

5.0 MWAC Responses to BRSD Arguments

5.1 Response to the *waste-hierarchy-rules* argument

MWAC considers that the Waste Hierarchy has been adopted primarily as a figurative gesture of commitment to improved waste policy by most Australian states. The Waste Hierarchy is extensively used by waste educators as a means of communicating to individuals the different strategies they can use to reduce their negative environmental impacts. However, the Waste Hierarchy is not reflected in the relative allocation of effort and resources of environment agencies. Even a cursory inspection of the inventory of public waste programs and projects currently operating in Australia will confirm this.

The waste programs currently being pursued by Australian states are not, in the main, primarily focussed on waste avoidance and reuse. As for the growth in recycling and resource recovery programs, particularly at a municipal level, these changes have been predominantly driven by community demands rather than the policy prescriptions of environment agencies. Moreover, to the extent that the Waste Hierarchy informs waste policy experts, it does so in a far more sophisticated way than represented in the BRSD submission. Mindful of its limits, waste policy practitioners apply the waste hierarchy mindful of the economic and political compromises which will be demanded in the broader policy context in which they operate.

In support of our view that the Waste Hierarchy is neither a dominant model nor a product of dogma, we recommend to the Productivity Commission the paper by Gertsakis and Lewis entitled, *Sustainability and the Waste Management Hierarchy – A Discussion Paper* (2003). The Gertsakis and Lewis paper will provide some insight into how the BRSD submission has misrepresented the way that the Waste Hierarchy informs waste policy.

The BRSD submission has portrayed state environment agencies as simplistic and dogmatic in their pursuit of sustainability objectives through waste policy. This presumably assists them to build an impression that waste policy has an ill-informed, or misconceived intellectual basis. This forms part of the BRSD's broader challenge to the legitimacy of sustainability focussed environmental policy. We believe it would be useful for the Productivity Commission to take the time to critically assess the image portrayed by the BRSD submission of waste policy making within the environment agencies of Australian states.

Key Point

– MWAC will watch with interest, the Productivity Commission's scrutiny of the BRSD assertion that the Waste Hierarchy is a significant driver of waste policy and practice in Australia.

5.2 Response to the *wrong-locus-for-sustainability-policy* argument

MWAC made it very clear in its submission that the entire case for government intervention in relation to the indirect impacts of waste and waste management rests heavily on sustainability. As we stated in that submission:

> *The concept [of sustainability] underpins a conviction that the conservation of natural resources above certain minimum levels represents an economic, ecological and moral imperative.*

The BRSD did not challenge this perspective. It simply argued that communities have been confused into thinking that waste and waste management has much at all to do with sustainability. To the extent that the community may believe that the direct impacts from waste

(eg landfill impacts) are a critical problem for sustainability, we might agree with the BRSD. Clearly, waste impacts of this kind are not the central sustainability issue arising out of waste generating consumption.

Environmental agencies have come to focus on the upstream impacts of waste-generating consumption because of a growing appreciation that the greatest opportunities to contribute to sustainability may be made here. Government structures separating natural resource management from environmental agencies are a product of historical accident. It may be true that this separation has led to strategies being developed in a waste policy context which would have been more efficiently pursued in the resources sector – we consider this an open question. However, inefficiency alone does not invalidate an intervention. The question of policy efficiency is separate to the issue of whether there is a valid basis for intervention. The basis here may be stated as follows: patterns of consumption and production are not presently sustainable and significant gains in resource conservation can be achieved through waste policy interventions.

Setting aside the question of policy efficiency for later discussion, we turn to the question of policy legitimacy. A great deal of debate in environmental policy purports to be a debate about methods, when it is in fact a competition between values. For instance, the claim that waste policy is an inappropriate locus for sustainability policy raises suspicions that what the BRSD truly objects to is the subjugation of economic efficiency concerns by sustainability imperatives. Therefore, it is worth asking the question – how would the BRSD resolve a conflict between the values of sustainability and economic efficiency.[3] The BRSD ought to be asked for examples of when it would accept that concern about sustainability would justify over-riding the goal of maximising economic efficiency. Thus the question is whether one's concern that certain practices are unsustainable would ever justify directly intervening to achieve a particular allocation of resources or whether we should always be bound to pursue policy objectives through the optimisation of the market.

Key Points

- MWAC will watch with interest, the Productivity Commission's discussion of whether the main objections to the upstream focus of current waste policy are based on either:
  - the view that better sustainability outcomes will be achieved through interventions at another point in the system; OR
  - the view that the objective of achieving sustainability has no legitimate claim to demand precedence over the objective of maximising economic efficiency.
- MWAC is eager to see ongoing discussion with the BRSD on the public record on these points

5.3 The *waste-policy-and-economic-efficiency* argument

Arguments around intervention and economic efficiency often seem circular. In determining whether an intervention is justified the policy maker must determine whether the application of all

[3] The BRSD neatly sidesteps precisely this type of normative contest by discussing "By-Product Synergies", which provide for both values to be upheld. These types of win-win opportunities are routinely presented by industry groups across a range of environmental and social policy issues, cf 'lightweighting' and the Australian Packaging Industry. The win-win model is useful as a means of obscuring the tension which often exists between values and helps to present issues as being fundamentally soluble through technical innovation. Win-win rhetoric often pretends that the trade-offs and constraints which typify sustainability issues are temporary or even illusory.

economic resources is efficient or not. The apparent wastefulness of a process in its use of energy or materials cannot be said to be economically inefficient until the complete function including all economic inputs has been analysed. Given the limited tools available, we are typically left to ask the market what an efficient allocation of resources might look like, but the market has already given its answer. It seems we are left to conclude that the practice must be economically efficient because it exists. In most cases, we can draw no other conclusion – especially if policy makers are precluded from looking upstream at the environmental externalities which occur there.

In reading the paper by Gertsakis and Lewis, the Productivity Commission will note how important the definition of Resource Efficiency becomes. The Waste Hierarchy can only ever make sense within a discussion about how to maximise the efficiency with which we allocate and use our natural resources. The Waste Hierarchy is simply not concerned with the broader question of how to optimally allocate all economic resources. The Productivity Commission may recall that the MWAC submission also discussed a model for looking exclusively at flows of energy and materials – the product life-cycle.

The forgoing models for considering 'technical efficiency', become important in the context of a reasonably assumed set of fundamental environmental limits. Limiting an analysis to the impacts on natural resources is entirely valid. Indeed, if environmental agencies are primarily responsible for considering environmental impacts and long term sustainability concerns, it is surely desirable that their advice will focus on these aspects. Other portfolios will make their own recommendations based on different primary objectives and do so in the confidence that environmental agencies will ensure that environmental values are well considered. The higher level decision making process from which major new environmental initiatives will emerge will never be based solely on Resource Efficiency, as defined by MWAC. These processes will ensure that economic and social considerations are also brought to bear.

MWAC views Resource Efficiency as a tool to help environmental policy makers and private enterprise to determine whether a system intensively consumes natural resources. It allows us to compare separate methods of organisation, manufacture and marketing with a view to identifying the most efficient application of natural resources. This is what ties the term so closely to the concept of sustainability. Take away the emphasis on natural resources and the nexus is broken. The concept ceases to provide environmental policy makers with any means of comparing the sustainability of different systems.

Redefining Resource Efficiency as Economic Efficiency dramatically undermines the capacity of environment agencies to pursue sustainability focussed environmental protection. Such a broad definition neuters the role of these agencies as advocates for environmental values by making them responsible for balancing all values in their analyses of any problem. While this might not seem such a bad result in theory, in practice it is both biased and impractical. Biased because other portfolios are not required to represent all values equally – their policies are directed at achieving a specific set of objectives; and impractical because the tools do not yet exist to make policy assessments in an objective manner when the values to be factored into the analysis cover a myriad of financial, social and environmental aspects at multiple levels of impact.

Key Points

- The MWAC asserts that it is valid to specifically consider the Resource Efficiency (as defined by MWAC) of different courses of action, prior or separately to considering the overall economic/social preferability of those courses of action.
- MWAC will watch with interest, the Productivity Commission's response to this assertion

5.4 The *wrong-portfolio* argument

MWAC takes issue on several grounds with the view that the resource conservation objectives of environment agencies would be better left to the resources sector. Firstly, the BRSD submission did not address how these portfolios will represent the environmental concerns which provide the impetus for seeking to reduce the rate of resource consumption. Resource management agencies must advance a range of objectives and patronise a range of key industries. These agencies are not necessarily hostile to the objective of resource conservation, they may simply be focussed upon achieving the best rate of economic return for the community. It is difficult to see how these agencies would, for example, engage with the challenge of reducing our rate of consumption of materials and energy.

Secondly, simply because the ultimate objective may be to conserve resources, does not necessarily make the intervention a resource management issue. In the preceding paragraph, we gave the example of policies to reduce consumption. Such policies do not obviously sit within any one portfolio. Indeed consumption reduction would be external to the charter of most resource management agencies and would frequently run counter to the interests of their core stakeholders.

Thirdly, we consider that environmental portfolios are as legitimate a place as any to begin tackling consumption practices. Certainly, we express doubt about the suitability of a resource management agency to undertake this type of work. Intervention to address consumption practices necessarily involves some kind of interaction with producers. However, this fact does not in itself make an industry focussed department more appropriate to develop and administer a program aimed at reducing or modifying consumption. In fact, obvious conflicts of interest would emerge if an agency charged with fostering growth in an industry was also charged with reducing consumer demand for the products of related industries.

Finally, we contend that the Australian and State Governments have no intention of placing limitations on the extraction and processing of this country's primary resources. We generate a substantial proportion of our export income from these sources, making them strategically and economically very significant. As we set out in our previous submission, materials and energy markets are especially difficult for national governments to constrain. This is true, notwithstanding the fact that the political process is enormously important in determining the initial cost of access to the natural resources from which commodities derive. Thus, we submitted that market interventions at this point in the economy were sensible but problematic.

Among the most promising interventions in pursuit of resource conservation are the development of upstream taxes and tradable quota schemes. We discussed these types of interventions in our submission to the Productivity Commission[4]. It is theoretically conceivable that resource management agencies could incorporate additional costs into resource rents based on

[4] See Appendix 1 of the MWAC Submission to the Productivity Commission Inquiry into Waste Generation and Resource Efficiency, Feb 2006.

sustainability factors. Likewise, these same agencies might develop and administer cap and trade schemes across a range of different natural resources. Such policies might be economically preferable to the ones advocated by state environment agencies. However, we question what place these policies should have in the range of options to be analysed if they are politically impossible to implement.

Key Points

– MWAC will watch with interest, the Productivity Commission's discussion of:
  - how other government agencies and departments might come to lead the policy response on sustainability through resource conservation;
  - the political and economic viability of 'ideal' policy responses involving a revaluation of natural resources; AND
  - to the extent that it finds these responses to be difficult to implement, the implications of this difficulty for the desirability of sub-optimal interventions like sector-by-sector interventions by environment agencies.

6.0 Closing remarks

6.1 Questions for BRSD

The BRSD submission deferred to the Inquiry's terms of reference and declined to discuss the implications of its advocated policy approach. It declared that the sustainability objectives being pursued in modern waste policy should not be pursued within this policy field. The BRSD submission declined to discuss:

a) Whether these objectives are in themselves legitimate;
b) Which specific agencies would be better to pursued these objectives; and
c) What strategies should be employed to achieve these objectives.

6.2 Why are Environment Agencies leading on sustainability?

While we recognise that the Productivity Commission must adhere to its terms of reference, we believe it has an obligation to consider the context within which waste policy is formed. Environmental agencies have moved faster than some other government portfolios to address sustainability – probably because it sits more comfortably with their core objectives. In dealing with the sustainability dimensions of waste, the policy brief has inevitably grown wider simply because the problem presents such a vast number of facets. That this brief has largely remained vested in the environment agencies should be taken as evidence of the reticence of other portfolios to bring sustainability goals to bear on their core business. Engaging other portfolios in the challenge to make our consumption and production practices more sustainable is to be positively encouraged. However, the Productivity Commission ought to consider precisely what kinds of responses these other portfolios might produce.

6.3 BRSD and alternative approaches

The BRSD's silence on the question of what these other portfolios might do is significant because the Productivity Commission has a responsibility to assess policy interventions against appropriate alternatives. In assessing the efficiency and efficacy of intervening in the economy, sector by sector, setting targets and using EP-style regulation, the Productivity Commission needs to consider alternatives for achieving the same objectives. The option of not using waste policy to achieve upstream environmental benefits will be considered, but this is obviously only a small part of a valid alternative. The alternatives to which current waste policy options are compared must include actions aimed at reducing resource consumption.

The Inquiry Commissioner demonstrated an awareness of the particular importance of the resource conservation dilemma and the need to hear what the BRSD would propose to do about it during the Melbourne Hearing of 22 February 2006. The Commissioner repeatedly invited the BRSD to share its ideas while Mr Howlett; Mr Lenegan and Dr Gentle repeatedly declined to offer any detail (pp 11 and 12 RTF version).

Compartmentalising the analysis is clearly convenient to the BRSD because it permits their submission to speak strongly against waste policy approaches, without actually endorsing any alternatives. The most sensible alternative, based on the market failure rationale for intervention which the BRSD itself supports, would be to force revaluations of natural resources. We don't believe that such a policy would rest easily with the interests represented by the BRSD. In this regard, we have found it instructive to compare the statements made by Mr Charlie Lenegan,

Managing Director, Rio Tinto Australia with the positions advanced by his Company in other fields.

Mr Lenegan stated at one of the Melbourne hearings that:

> *"the most effective approach is to focus on the downstream waste disposal impacts, rather than seeking to achieve upstream impacts through the waste management disposal approach."*

Clearly waste policy covers more than a 'disposal approach', but the sense in which Mr Lenegan uses the term seems to cover policies developed by environment agencies which reach up the supply chain to try to address impacts earlier in the product lifecycle. Mr Lenegan also summarised the BRSD's view about moving resource efficiency policy out of the environment agencies as follows:

> *"initiatives driven primarily by resource efficiency objectives, rather than the management of waste disposal externalities, need to be led by the appropriate portfolios of government, ie, the industry and resource agencies rather than perhaps the environmental area focused on waste management disposal.*

Rio Tinto is implicated with the push to prevent the introduction of cap-and-trade schemes like the Kyoto Protocol which would internalise an environmental cost on the burning of their coal[5]. In spite of Rio Tinto's denials that it is anti-Kyoto[6], it is clear that its support lies with the Asia-Pacific Partnership on Clean Development and Climate (the APPCDC) [7] and not with any direct intervention to correct the price of fossil fuels[8]. MWAC finds it vexing that Mr Lenegan promotes a minimalist set of objectives for environment agencies vis-à-vis waste policy when it appears his company has worked against the kinds of upstream market corrections which might avoid the need for waste policy interventions.

We have no interest in attacking individuals or particular companies. What we have presented are facts which are material to the question of whether it is policy efficacy and efficiency or policy legitimacy which has been placed on trial. The evidence suggests that Mr Lenegan and Rio Tinto, and by extension the BRSD, are implicitly challenging the legitimacy of governments pursuing the objective of resource conservation.

6.4 The Productivity Commission and alternative approaches

The recommendations of the Productivity Commission are likely to be influential in determining the future of sustainability-focussed waste policy. Accordingly, the Productivity Commission must consider the broad implications of what has been proposed by the BRSD. The Productivity Commission may concur with the BRSD's views about the legitimacy of the resource conservation objective. What is particularly important is that the Commission declare whether it is truly analysing policy efficiency and efficacy by making appropriate policy comparisons, or

---

[5] See for examples: The Age, 2005, "How big energy won the climate battle", Fairfax Publishing, July 30, 2005; Four Corners, 2006, "The Greenhouse Mafia", ABC, Monday 13 February, 2006

[6] See Rio Tinto, 2004, "Climate change", Rio Tinto Media Centre, 1 December 2004.

[7] As evidence of support for the APPCDC, seeRio Tinto, 2006, "Coal industry provides $300 million in world first approach to greenhouse gas abatement", Rio Tinto Coal Australia, 16 January 2006.

[8] The APPCDC is widely understood to be a challenge to the cap-and-trade approach of the Kyoto protocol. The APPCDC currently promotes technology and innovation, rather than correction of market failures, as the preferred approach to addressing climate change. Articles on this point include: ABC, 2006, "Climate change conference 'protecting the coal industry'", ABC Online News, 12 January 2006.

whether it is analysing policy legitimacy by considering whether the case for invention has been satisfactorily made.

If the Productivity Commission concludes that the case for reducing resource consumption has not been made, then it should state as much. However, the Productivity Commission should also go on to analyse the question of how such a goal could be achieved, if it was agreed to be a legitimate goal. We have set out, under *Key Points*, some of the matters relevant to this analysis, including who should be responsible for the interventions, what these interventions should entail and how feasible these interventions might be given present economic and political constraints.

7.0 References

Gertsakis, John, and Lewis, Helen, 2003, *Sustainability and the Waste Management Hierarchy – A Discussion Paper* (2003), EcoRecycle Victoria. Available online, http://www.cfd.rmit.edu.au/programs/sustainable_products/sustainability_and_the_waste_management_hierarchy, accessed 27/03/2006.

Rio Tinto, 2006, "Coal industry provides $300 million in world first approach to greenhouse gas abatement", Rio Tinto Coal Australia, 16 January 2006. Available online, http://www.riotintocoalaustralia.com.au/newsroom/default.asp?Id=103, accessed 30/03/2006.

ABC, 2006, "Climate change conference 'protecting the coal industry'", ABC Online News, 12 January 2006. Available online, http://www.abc.net.au/news/newsitems/200601/s1546375.htm, accessed 30/03/2006.

Rio Tinto, 2004, "Climate change", Rio Tinto Media Centre, 1 December 2004. Available online, http://www.riotinto.com/media/media.aspx?id=812, accessed 30/03/2006

Four Corners, 2006, "The Greenhouse Mafia", ABC, Monday 13 February, 2006, available online, http://www.abc.net.au/4corners/content/2006/s1568867.htm, accessed 30/03/2006