ACT Department of Urban Services Submission to the Productivity Commission Draft Report on Waste Management

Introduction

The Productivity Commission was asked by the Federal Treasurer in October 2005 to examine issues of waste generation and resource efficiency in Australia. The Commission recently released its Draft Report for public comment (due by 7 July 2006).

While the terms of reference are quite broad, the Commission was asked to advise the Treasurer on *"strategies to address market failures associated with the generation and disposal of waste. These strategies should improve economic, environmental and social outcomes"*.

The Inquiry has a particular focus on five areas:

1. The economic, environmental and social benefits and costs of optimal approaches for resource recovery;
2. Institutional, regulatory and other factors which might impede optimal approaches to waste management,
3. Adequacy of current data;
4. Impact of international trade and trade agreements; and
5. Strategies that could be adopted to encourage optimal resource efficiency and recovery.

The ACT Department of Urban Services, through ACT NOWaste, made a submission to the Inquiry that highlighted the following:

1. The ACT has a No Waste by 2010 strategy which is proving effective in reducing the volume of waste going to landfill in the Territory;
2. There is limited understanding within the general community of the issues involved in the waste collection, disposal, recycling and resource recovery industries, and responsible organisations need to be transparent to ratepayers and higher bodies of

governance about the reasoning driving their waste management choices and the subsequent financial and environmental costs

3. Recycling and diversion from landfill is generating economic activity and jobs in the ACT that could not be supported by landfilling alone
4. Technology does not necessary correlate to efficiency in the waste business. Alternate Waste Technologies (AWTs) are part of an integrated sustainable waste management solution but are by no means the only component to a successful strategy, and a primary requirement should be to minimise the amount of waste going to an AWT.
5. Market development for recycled products is critical to an integrated approach to waste management, and waste minimisation strategies need to consider the cost impost implications on the community.
6. National performance indicators for waste minimisation, management and resource recovery should be established and reported on by Local, State and Territory Governments.
7. There is a need to develop viable legislation, policies and/or models that level the playing field for environmentally friendly products against products that out perform on a purely financial basis. In the ACT, resource recovery businesses are being established as they realise that they can process waste materials at a cost that sits under the waste to landfill charge**.**

The Commission's Draft Report was released on 25th May and has the following key points:

1. Waste management policy formulation should be improved by wider use of "best practice" approaches to policy development, namely that objectives are clarified; all expected costs and benefits of different options are considered; and the policy selected that gives the best return to the community. Waste management policies need to be refocused and guided by open rigorous analysis of costs, benefits and risks.
2. Policies that seek to minimise waste and maximise recycling may not be economically efficient. Policies which aspire to eliminate waste altogether can lead to perverse outcomes. Waste policy should be about achieving the best possible outcomes for the community, not prescribing one technical (or other) solution at the expense of others.
3. Waste management policy should not focus on upstream environmental issues. Residual levels of externalities from modern, fully complying landfills appear to be small. Greenhouse gas externalities from landfill should only be

addressed within a broad national response to greenhouse gas abatement.

4. Getting prices for waste disposal right will help to reduce waste generation and achieve an appropriate balance between disposal and recycling. Basic forms of 'pay as you throw' pricing for municipal waste, should be more widely adopted. The case for using landfill levies to address externalities is weak and they should not be used to drive the achievement of arbitrary recycling targets nor as revenue raising devices.
5. Mandatory schemes designed to place more responsibility for end of life disposal on producers have only very limited application.
6. In large urban centres, scale and planning issues suggest that local governments are no longer the most appropriate authority to be managing waste issues.

The purpose of this Submission is to respond to the Draft Report, presenting the ACT Department of Urban Services' response – clarifying errors of fact and highlighting concerns with findings presented in the Draft Report. This Submission has been prepared by ACT NOWaste, part of the Department of Urban Services.

This Submission concentrates on six core themes and findings – each of which has particular relevance for the ACT:

1. Waste management policy formulation
2. Waste disposal, recycling and the ACT's "No Waste Goal"
3. Landfill costs and externalities
4. Pricing mechanisms
5. Extended producer responsibility
6. Role of the Territory in waste management

Context

The ACT Department of Urban Services considers that the Draft Report provides an interesting analysis of some aspects of waste policy and waste management in Australia – an analysis which reflects the strength of the Productivity Commission in identifying scope for improving economic efficiency.

The Department finds, however, that the Commission places too much emphasis in the Draft Waste Report on 'economic efficiency' as the overarching *driver* of waste policy rather than as a useful tool for evaluating alternative policy delivery options. The Department recognises that economic efficiency is just one aspect of a complex waste management system which involves people and their behaviour; consumption patterns; existing, growing and new resource markets; and the short, medium and long term impacts on the environment. In this regard, in its over-emphasis on economic efficiency as a normative goal, the Department is concerned that the Commission suffers from the same "technical idealism" that it criticises waste policy makers for.

It seems to the Department that this idealism clouds the Commission's good judgement, and this Report was found to not be as finely tuned as those on other issues analysed recently by the Commission (such as *Population, Immigration and Economic Growth* and *The Role of Non-Traditional Work*).

The Department notes that the Commission says that it has looked at and incorporated social and environmental considerations alongside its economic analysis. But the Department finds it hard to locate areas in the Report that reflect this aim. Throughout the Draft Report, social benefit, for example, is characterised as existing when there is a lower economic cost of a particular approach to waste management. In the Department's experience

social benefits need far wider definition than this to be credible with the community.

One tangible example is that of jobs. The Department understands the rationale that an economically efficient system tends to be capital rather than labour intensive, with fewer jobs suggesting higher productivity and lower costs to the community. But the Department also recognises that jobs are an important part of society, and that a diversity of jobs is important in the ACT.

The Department understands that it is part of a Government with a role in providing the soft and hard infrastructure necessary to concentrate resources. This function is central to overcoming market failures that relate to the recovery and sale of waste resources – failures stemming from the inherent tendency of these resources to be dispersed through the waste stream. Dispersal brings diseconomies of scale which inhibit private sector activities that would otherwise be economically viable, adding to Gross Territory Product and creating employment.

The Department believes that sustainability in general must involve a change in consumption patterns – hence its acknowledgement of the importance of 'avoidance of waste generation' in the waste hierarchy. The Department is concerned that current levels of consumption are putting great strain on natural systems and on the finite stock of raw materials. If the processes of mining, manufacturing, consumption and disposal continue, the Department is concerned that the community is at risk of draining resources from a natural system. The Department places the ACT's waste strategy as part of the community's growing acceptance of the notion that man-made systems must come to terms with the natural environment and become cyclical rather than unidirectional. The Department also recognises its responsibility in regards to the 'precautionary principle' and minimising the chance

that the resource management decisions made in the ACT will cause future environmental damage.

The Department is also very well aware of challenges in using economics as a tool for understanding these issues. This awareness has driven the Department to be extremely careful in its own economic analysis in progressing waste management in the ACT, including using cost-benefit analytical tools where appropriate. A particular challenge stems from the importance of GDP in the economic hierarchy, and the definitional fact that GDP includes economic activities like resource extraction, processing, consumption, disposal and remediation as unambiguous value-adding activities. The Department can see that the Commission has clearly looked into waste management issues from this point of view.

While they do add to GDP, from an environmental sustainability perspective, extraction, disposal and remediation would be best avoided. The Department would like to highlight that from the waste industry perspective, and particularly from a public policy waste industry perspective, it would prefer that waste was not generated in the first place.

The Department feels that in this regard waste is a global issue which will pose grave problems in the near future if Australia continues to consume at current levels while industrialising economies such as China and India also move to higher levels of consumption (and therefore of waste generation).

1. Waste Management Policy Formulation (key points paragraphs 1 &11)

Issue

In the Draft Report the Commission recommends in several sections that cost benefit analysis should be used to determine waste management policies.

Response

The Commission's use of cost benefit analysis for policy development has unfortunately confused ends with means. The Commission asserts that the narrow goal of economic efficiency – based seemingly exclusively on the even narrower tool of cost benefit analysis – should guide policy makers and community attitudes.

The Department considers economic efficiency to be a useful tool for establishing the most (economically) efficient way of delivering policy outcomes, but that it is not an appropriate tool for determining policy itself. The Department feels that giving economic efficiency the role of *guiding* policy is to undermine its valuable role in *implementing* policy. Policies are inevitably not determined by economics alone – rather they are set by community expectations – either directly or indirectly through the legislative process.

In the Department's experience, 'best practice' in policy formulation reflects the issues highlighted by Commission, clarifying policy objectives by combining the broad context of sustainability and community consultation alongside economic analysis.

The Department recognises that it has a role in leadership in setting clear policy goals. The Department also has social

responsibilities, particularly where market failures may result in a lack of progress towards accepted goals, and the Department believes that government intervention is appropriate in these circumstances.

The ACT Government's 'No Waste By 2010' policy is unashamedly a response to changing community values and changing awareness amongst elected members and officials around waste management. The ACT has, and will continue to, use cost benefit and other tools of economic analysis to determine the most economically efficient ways of delivering on this policy goal.

Background

The Draft Report states that *"Waste management policy should be guided by best practice approaches to policy development namely that objectives are clarified ; all expected costs and benefits of different options are considered; and the policy selected that gives the best return to the community"*.

The Draft Report also states that "*Policy makers and community attitudes need to be guided by open rigorous analysis of costs, benefits and risks, if waste management issues are to best serve the community*".

The Commission's approach seems to be confusing the role of economic efficiency, and cost benefit analysis in particular, as a *means* to achieving a policy goal end, rather than being an *end* in itself.

The ACT's objective of "No Waste by 2010" is the result of extensive public consultation. The community was the driver for the policy and the 'No Waste' objective. Since the launch of the strategy in 1996, policy makers have in fact been using the approach recommended by the Commission – of *"open and*

rigorous analysis of the costs, benefits and risks to determine the best option for waste disposal" in consideration of this goal and best return to the community. In the ACT open and rigorous cost benefit analysis has rightly been used as the tool for assessing options for delivering the community's objective – not the as the tool for determining the objective itself.

In fact, it is clear that the ACT's waste management strategy conforms with the Commission's definition of a 'best practice' approach to policy development, by clarifying objectives, assessing costs and benefits and looking at a range of delivery options – all designed to give the best return to the community. It is ironic that the Commission goes on to dismiss no waste targets, given that this has in fact been the considered outcome of the ACT' 'best practice' policy development process.

2. Waste Disposal, Recycling and the ACT's "No Waste Goal" (key points paragraphs 3 & 4)

Issue

The Commission's findings state that waste policy should achieve the best possible outcomes, but labels *no waste* goals as 'unrealistic' and their outcomes as 'perverse'. Further, the Commission recommends that "*Governments should not directly or indirectly impose waste minimisation and recycling targets as part of waste management policy*".

Response

The Department firmly believes that No Waste by 2010 is a legitimate goal, demonstrably in the interests of ACT residents and budget.

The ACT is clearly not pursuing an arbitrary goal of 'no waste to landfill' at any cost. Rather, it has adopted a pragmatic and balanced approach to recovering resources of value that can compete with raw materials in an open commercial market. The ACT follows this approach while considering the many complexities of job creation, trickle down through the ACT economy, environmental protection, the future of finite resources and understanding of the true cost of sending waste to landfill.

Since the policy was launched, the ACT has diverted a total of more than 2.8 million tonnes of waste from landfill to more productive uses. Currently the ACT is diverting some 550,000 tonnes of waste per year, 73% of waste generated in the Territory. Detailed cost benefit analysis undertaken by specialists for the Department has shown that this effort is returning net savings to the ACT community – excluding externalities.

For example, a major social benefit of the No Waste policy is the generation local of employment in new and innovative businesses. In 2001, total employment in the ACT community through resource recovery activities was 260 with a further 100-200 extra jobs estimated with full implementation of the strategy. Less tangible from an 'economic efficiency' view point, but no less real from a social benefit view point is the community pride in setting this benchmark and recognition of the ACT's leadership both nationally and internationally.

From the perspective of ESD principles a far sighted policy such as No Waste by 2010 seeks to balance and deal appropriately with current waste issues, rather than imposing the consequences of our actions on future generations.

The Department is concerned that the Commission's work gives a perception of fundamentalist fervour regarding the need for a diversity of approaches to waste disposal and on *not* setting ambitious goals.

The Department reassures the Commission and the ACT community that its target is realistic as well as ambitious, and that it is achieving environmental *and* economic savings. The Department reminds the Commission that it will not place undue burden on the ACT community (and budget) by over-zealously pursuing a blanket 'Zero Waste' target. As the Commission (and ACT residents) know, the No Waste by 2010 policy will be achieved if 95% of waste generated in the ACT is diverted from landfill to other, higher value uses. The Department will not be committing unnecessary funds to meet a practically impossible target of 100% diversion from landfill.

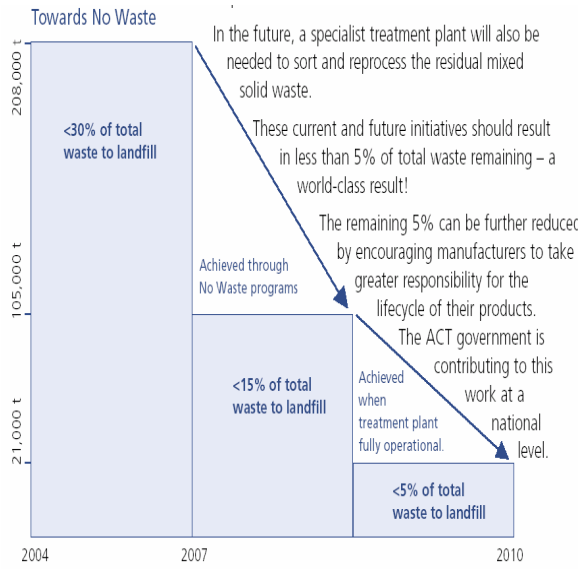
The Department has pursued a balance of theory and practice in its work, and would like to highlight the perception that the Commission's Draft Report is overly weighted towards theory – a perception that diminishes the Report's value to the very practical world of waste.

Background

The ACT has conducted extensive analysis of costs and benefits of a wide range of options in managing waste – including setting a realistic and achievable definition of the meaning of No Waste in a policy context.

While the goal of eliminating waste seems aspirational and unattainable, rigorous analysis has established that the best outcome for the ACT translates "No Waste" to a target of less than 5% of total waste going to landfill (see Figure 1). This target has been set as a result of extensive technical, social, environmental and economic analysis. It is not subject to the Commission's derisory comments on the risks of "perverse outcomes if recycling is pursued at any cost".

Figure 1: Towards No Waste



Source: ACT NOwaste (2004) Your guide to becoming a no waste household.

Far from delivering the ‘perverse outcomes’ that the Commission worries may arise from ambitious goal setting, independent analysis has shown that the Department’s approach is delivering not just better environmental outcomes, but net savings to the community and is adding to Gross Territory Product – a genuine triple bottom line result.

3. Landfill costs and externalities (key points 2,5,6)

Issue

The Commission takes a very narrow of view of the 'unintended consequences' (externalities) associated with waste management. The narrowness of the definitions used pre-determines the Commission's finding that landfill is a cheap and appropriate destination for waste.

Response

The Department questions the Draft Report's finding (4.1) that "*The total external costs of well located landfills … are likely to be less than $5 per tonne of waste"*. In the ACT the externalities have been calculated at $34/tonne.

The Commission estimates the true cost of landfill at $25/tonne. The Department's analysis indicates that this is a gross underestimate, as the direct economic cost of landfill in the Territory has been calculated at around $76/tonne.

The Commission's costings appear to be based on the premise that Australia as a large landmass has no shortage of land available, at negligible cost, for landfill. But the Department's experience is that while there may no absolute shortage of land, there is a critical shortage of sites for waste management. This applies as much to sites in country areas (most sites are in someone's water catchment, for example), or urban areas like the ACT, and even more so to sites for 'undesirable' aspects of waste management like the toxic waste dumps still looking for a home in NSW and Victoria.

The Department can see that the discrepancy between the actual cost of landfill in the ACT and the Commission's 'average cost' are due to several factors:

- The narrow definition of externality used by the Commission excludes very real costs in the ACT such as hazard minimisation, present and future environmental protection (fauna, flora, water & soil) impacts
- The Commission averages costs across all waste types and all jurisdictions, thereby negating the limited sites and high (foregone) amenity value and rehabilitation costs in the ACT (These latter are the real costs incurred in long term site management, remediation, monitoring, and control – perhaps on a 100 to 200 year timeline.)
- The Commission assumes the value of land used for landfill to be very low – not the case in the ACT.

The Department understands the value of cost benefit analysis, but is concerned that the Draft Report does not do justice to the Commission's ability in this field and it is not applied effectively in the waste context. Reality and believability are crucial elements of any cost benefit analysis, and the Department has difficulty identifying areas in the report that meet these criteria.

It is felt that the Commission has not demonstrated a good understanding of the full complexities and flow-on effects of waste recovery initiatives. A reader of the Commission's report is left wondering what externalities and upstream environmental issues are being inappropriately addressed by waste policy makers.

Background

In 2001, the Department commissioned a study of the actual costs of waste disposal in the ACT. This report concluded that the net economic, environmental and social costs of waste going to landfill

in the ACT was $110 a tonne ($34 per tonne for environmental costs including green house gas emissions and $76 per tonne for direct economic costs).

The majority of direct environmental benefits of the strategy (minimising impacts in terms of use of land, generation of leachate, landfill gases, noise and odour, monitoring and compliance costs) are in reducing the pressure on landfill and subsequently delaying further expansion of the current landfill or commissioning of new landfills. While monitoring and post-closure costs are still incurred (with or without the No Waste strategy), the difference is the scale of the landfill and whether extension is needed.

Development of a new or expanded landfill has siting implications in terms of community acceptability, arduous approval processes, availability of suitable land, and increasing design standards for environmental protection. The Department notes that while the Commission argues that these costs are minimised in low value land areas, this is an impractical and socially unacceptable strategy.

The Department has committed $11.1 million on a new cell lining for the Mugga Lane landfill to extend its use period while reducing environmental impacts.

In addition to concerns about the Commission's approach to pricing of the direct costs of landfill, the Department finds it hard to understand the Commission's findings in regards to upstream externalities.

The Commission states that 'upstream externalities' (such as the benefits to the economy accruing from recycling via lower (re)manufacture costs of recovered aluminium in comparison to virgin bauxite) do not exist. The Department finds this proposition

difficult to support, and the Department has two clear indicators that the upstream externalities are significant.

Firstly, in the ACT the Department understands from the ACT Greenhouse Strategy Review in 2002 that "*waste diversion is a major contributor to the effectiveness of the ACT Greenhouse Strategy*".

The Department also understands that increased recovery and re-use of resources is expected to defer scarcity-based price increases – a positive externality. The Commission itself recognises that resource scarcity will drive prices up and make alternative resources (including recycling) more attractive. The Commission is confident that markets will adjust and assumes that there should be no market failure associated with this adjustment. The Commission then extrapolates from this point of view by starting that with no market failure "*it is not appropriate to treat resource depletion as an externality*" (p 351).

The Department does not agree with this inference, and is concerned that it is presented without any supporting evidence. In the Department's view, resource scarcity will clearly be delayed while resources are recovered, recycled and re-introduced from efficient waste management policies and programs. Delaying price increases will introduce significant positive externalities into the economy through retaining a competitive advantage in resource costs.

The Department considers that the losses induced by these unnecessary price increases are unlikely to be eliminated by markets alone. Markets are slow to adapt and the Department is concerned that timely response to scarcity requires vision and preparation. Recent examples of fuel price rises and the limitations to consumers in terms of real choice of vehicle propulsion systems

is a simple example where imperfect markets are creating sub-optimal outcomes, and show very few signs of adaptation. It is examples like this that underpin the Department's motivation to stimulate, promote and generate alternative approaches.

4. Pricing mechanisms (key points 7,8)

Issue

Throughout the Draft Report the Commission emphasises the primacy of pricing mechanisms as the best tools for driving waste management policies.

Response

The Department recognises that pricing of waste disposal services has a role to play in delivering waste management policy objectives. Pricing in the ACT relates to tipping fees, collection charges and waste generator/user pays charges for computers, tyres and mattresses. But the Department does not agree that pricing is unambiguously the *best* way to, in the Commission's words, *'reduce waste generation and achieve an appropriate balance between disposal and recycling'*.

Market imperfections mean that in the ACT, to achieve the economies of scale necessary to turn small amount of waste into significant amounts of a valued resource, other regulatory and infrastructure initiatives need to be added to the price tool. Without these initiatives the ACT would not have seen the creation of new businesses adding value to the ACT's economy by processing and selling recovered resources in an open market.

The Department supports the Commission in its drive to stop the misuse of landfill levies as revenue raising devices. The ACT does not have a levy and has no intention of introducing one.

Background

The Department is sceptical of the Commission's emphasis on matters of 'users pay' on both in principle and in practice grounds.

In principle, the Department understands the notion that waste generators should pay for disposal, and the economic efficiency arguments that underlie it, but would remind the Commission that no local, State or Federal jurisdiction in Australia provides essential services on a user pays basis.

Almost all essential services (such as health care, water, and roads) are provided in Australia through a platform that first delivers a base level of services to all, regardless of their demands on the service, and then in some cases adds or subtracts some costs depending on usage. Waste is no different, and the ACT has been rigorous in examining the scope for introducing differential pricing policies to residents and commercial operations in regard to waste disposal in the ACT.

In practice, the Department's experience has been that it would not be likely in the near future that user pays charges could start to approach the true cost of disposal. The Department has calculated that the true cost of disposal is in the order of $40-$50/tonne for recycling and $105/tonne for landfill. User pays charges levied on government and business have increased from $33/tonne in 2001 to $77/tonne in 2005-06 but the Department's evaluations have shown only partial movement away from landfill towards recycling – even at these price levels.

Price levels alone do not appear to be driving change and the Department understands that even at full cost other interventions would be required. The Department is not expecting users to pay the full cost of disposal, as the Department's strategy is to leverage off the price differential between recycling and waste to landfill.

The ACT does not have a rates based charging system for waste (there are no domestic waste charges). Residents are provided a base level of service and charged a service fee for additional bins if more volume is required above the base service. Rather than following the Commission's recommendation of over-reliance on pricing, the ACT uses a mix of pricing, regulatory and infrastructure measures to not only *encourage* diversion from landfill, but to *facilitate* it.

The resource recovery estates sited at the landfill sites are an example of a tool to both encourage diversion and profit from it. Without a range of incentives and disincentives, including regulation, the ACT would not have seen the creation of economic valued added through C&D waste treatment and greenwaste processing and selling industry which both add to Gross Territory Product. These businesses also add to the Territory's small manufacturing base, and are unlikely to have reached this scale without the framework (in terms of policy, pricing and infrastructure) offered by the No Waste by 2010 strategy.

5. Extended producer responsibility (key point 9)

Issue

The Commission is very clear in its faith that regulation of industry provides a generally intolerable burden on the economy. The Commission is in favour of mechanisms to engage producers in attempts to limit the extent to which their products are destined for landfill only *'where inappropriate disposal is likely to cause substantial externalities and intervention will produce net benefits'*.

Response

The Department does not disagree with the Commission's findings in regards to limiting regulatory imposts on industry on items such as packaging, where economically viable, market driven, alternative disposal options exist. But the Department's own research and experience demonstrates that a mandatory approach involving either industry-government co-regulation or government regulation will be necessary to properly manage products entering the waste stream that are highly toxic such as household batteries, computers, solvents, medicines and tyres and for which there are no alternative options for responsible disposal.

The ACT is also limited by factors such as scale and population in its ability to address waste avoidance issues such as consumption patterns. The Department considers that these issues need to be tackled at a national level through mechanisms such as EPR.

While the Territory has limited jurisdiction over manufacturers, the Department has been working for several years on industry-led systems to deal more efficiently with the disposal of computers, televisions, tyres and the like.

The Department recognises that appropriate initiatives on EPR are a part of the Territory's approach to managing the 5% of waste likely to still go to landfill once the 'No Waste by 2010' has reached its primary diversion target.

Background

The Department noted in its first submission to this Inquiry that managing household toxic waste derived from consumer goods is a problem likely to become serious in the next few years:

"There is recent evidence to support the claim that there are significant stocks of electronic waste (computers, monitors, printers, faxes, TV's etc) in households. Much of this material is expected to be disposed of over the next five years, creating significant issues for waste disposal given the nature and composition of this material. Impacts on leachate quality from electronic wastes containing a range of heavy metals and chemicals is little understood, and as such the precautionary approach should be applied with this material kept out of landfill."

(ACT Government Submission to Inquiry p 5)

While mindful of the Commission's faith in market-based mechanisms, the Department also holds a view that the manufacturers of these products can reasonably be expected to play a role in ensuring the environmental impacts of their disposal are minimised.

The Department has had as a high priority the challenge of dealing with computers (and the toxic and also valuable elements they contain) going to landfill.

The current approach is based on user pays for the waste generator – ie the individual or organisation disposing of computers. The current charges are $15 per hard drive and $20 per monitor that go to landfill. While this system is having some success in diverting computers away from landfill, the Department's analysis shows that it is not covering costs. This is partly because

revenue is reduced by waste generators avoiding the charges through illegal dumping outside landfills and hiding computers in loads of mixed waste going to landfill.

The Department's analysis shows that these kinds of 'back end' charges are not having the desired effects and so it has been working for several years on a 'front end' approach. This approach is industry-based and it would see a small share of the costs of a computer purchased in the ACT go towards an industry-run pool into which waste computers would be added. This approach is less onerous on the waste generators and municipal authority, and will provide the necessary volumes to exploit economies of scale required for commercial viability.

Just as EPR is a part of the Department's strategy for the ACT, so is awareness and incorporation of the waste hierarchy. The Department notes that the Commission raises concerns about the use of the waste hierarchy as it could lead to inefficient economic outcomes.

But the Department considers that the waste hierarchy is a guideline not a prescriptive policy statement, which affirms the principles that avoidance of waste generation and consumption are crucial if industrialised economies are to accept responsibility for, and show leadership in, managing high levels of resources used and disposed of.

6. Role of Territory in waste management (key point 10)

Issue

The Commission recommends that waste management responsibilities be shifted from local to regional bodies.

Response

The Commission's recommendation that waste management responsibilities be shifted from local to regional bodies seems to be based on the perception of scale economies and spillover effects across jurisdictional boundaries.

The ACT Government is confident that it is the right body to be managing the Territory's waste given its role in service provision, the scale of the volume of waste generated in the Territory and its responsibilities and capacities in planning, siting and technical issues.

Furthermore, it is important for the Commission to realise that the ACT has developed sound technical expertise in understanding waste management and disposal, and in designing and managing contracts to give better returns to the ACT community. This technical expertise has in part arisen from the ACT setting a public and ambitious goal in terms of diversion of waste from landfill, and the Department's experience has been that this goal has driven innovation and efficiencies both within the ACT Government and in relations with contractors. The innovation and efficiencies achieved have in some cases exceeded the expectations set at the beginning of the No Waste by 2010 process.

Background

The Commission recommends (Recommendation 12.2) that "*State and Territory Governments should consider shifting the responsibility for waste management in large urban centres from local government to appropriately constituted regional bodies*".

The reasons for this recommendation focus on possible economies of scale that might be gained, and negative spillover effects that may be reduced by such an approach. The Commission notes:

> *Assigning waste management responsibilities to regional or state and territory bodies has some advantages over joint negotiations, including:*
>
> - *fewer transaction costs because there would one organisation negotiating;*
> - *lower unit costs due to scale economies and lower prices charged to rate payers;*
> - *access to higher level of skills; and*
> - *greater certainty to the waste management facility operator in having a statutory body with the full responsibility of negotiating on behalf of its rate payers.(p 270)*

As the ACT Government's submission showed, the ACT is in the position of having wide responsibilities for a relatively large population catchment, second only to Brisbane City Council in scale. This brings the ACT Government a range of complexities, but also some of economies of scale which benefit ACT residents and the ACT economy.

While the ACT can capture some economies of scale in waste management, the Department would like to point out to the Commission that the ACT still does not have enough material throughput to capture scale in economies in many resources – tyres, for example – where larger catchments are necessary.

The Department is particularly concerned less with the scale of the ACT waste economy than with the way waste policy is managed *within* its jurisdiction.

In the Department's experience waste cannot be treated in isolation from other policies in the traditional 'silos' of government. The Department's experience is that policy silos are an impediment to 'best practice' policy development and promulgation of effective waste management policy and programs.

In the ACT waste has immediate implications across environmental, social and economic portfolios, and the Department is concerned that the Draft Report could be seen as winding back some of the gains made in the last decade towards sensible, effective and efficient waste management policy and practice in the ACT.

The Department notes that some sections of the Draft Report advocate joint consideration of economic, environmental and social matters. Other sections, such as the references to the relationship between waste and greenhouse policies, advocate separate and isolated treatment. The Department notes that this mixed approach leaves those with interest and expertise in waste wondering what the Commission's intentions and recommendations actually are.

Requests For Information

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

The ACT is already operating as a sizeable region in its own right. The ACT is able to implement variable charging systems and does so for householders by charging for additional disposal beyond that covered by regular collections.

Commercial users are already on a system where they are charged directly for the volumes disposed of. But the Department notes that its feedback indicates that many commercial users are unaware of their waste disposal costs, how these costs relate to volumes of materials discarded and how volume reductions and recycling might reduce their disposal costs.

The Commission seeks more information from participants on the costs and benefits of harmonising waste classification systems across jurisdictions.

The Department has not further information to add to this issue.

The Commission requests more information from participants as to whether the Basel Convention (giving due regard to the guidelines granting exemptions) is preventing the export of recyclable goods.

The Department agrees with Commission that the Basel Convention could restrict the export of some recyclable materials, particularly e-waste. The Department is not aware of any export activities from the ACT being constrained by Australia's accession to the Convention, and agrees that the Australian guidelines appear workable.

The Department also recognises that other reusable recovered materials not covered by the Convention may be valuable exports – items such as toys and furniture.

Conclusion

The ACT Department of Urban Services has prepared this Submission in the interests of assisting the Commission refine its Draft Report into a more valuable and credible Final Report.

The Department's review of the Draft Report finds it a somewhat simplistic and abstracted exploration and analysis, lacking some of the detail and rigour that is needed to drill down into the issues that the Commission touches on at a somewhat superficial level. The Department is concerned that work which is simplistic and abstract is not particularly helpful in the very practical industry of waste management.

An example of the Department's concerns is the Draft Report's treatment of the role of waste management in greenhouse strategies. The Department recognises that waste management and greenhouse strategies are closely linked in the ACT, with this view emerging clearly from several independent studies the Department has commissioned. These studies have confirmed the Department's view that the relationship between waste management and greenhouse strategies is a complex one.

Landfills are typically seen as contributors to greenhouse gas emissions as a consequence in part of waste transport but also as a direct source (methane) of some 1.6% of the Territory's greenhouse gas emissions.

An example of the complexity is the role of methane as a renewable energy source under the Renewable Energy Act and its treatment under Mandatory Renewable Energy Targets and the Government's drive for 2% of electricity to be generated from renewable sources. In a waste management context these issues are contrasted with the very real concern that methane left

untapped can seep and pool and initiate significant risks to occupational health and safety over time.

The Department is concerned that after careful assessment, it is still hard to understand what the Commission means by 'upstream externalities'. The Department's difficulties may be due to unfamiliarity with new technical economic terms. But even so, the Department hopes that the Final Report will contain much clearer enunciation of how the Commission defines this term and what it means in a holistic waste management context.

Overall, the Department is concerned that the Commission draws what are presented as firm and definitive conclusions from work which has little basis in the realities of waste management and associated cost benefit analysis. The Department finds it difficult to accept the Commission's broad recommendations without evidence of its concomitant understanding of the complexities of waste management. The Department is please that the Commission has sought to include social and environmental considerations in its analysis, but has not been assured that these have actually been taken into account.

The Department considers that the Draft Report could be construed as sending the wrong message, by looking to wind back demonstrable gains in the efficiency and effectiveness of waste management at local, State, Territory and Commonwealth levels over the last decade.