Committed to Australia's ICT, electronics and electrical manufacturing industries

AEEMA

WASTE MANAGEMENT DRAFT REPORT

PRODUCTIVITY COMMISSION

FURTHER COMMENT BY AEEMA

INTRODUCTION

The Australian Electrical and Electronic Manufacturers' Association Ltd (AEEMA) is the peak national industry body in Australia representing some 400 infrastructure providers for Australia's ICT, electronics, and electrical manufacturing industries. This includes domestic appliances and lighting products.

AEEMA provided the Commission with a substantial submission to the initial inquiry in February 2006, and we welcome this further opportunity to comment on the key findings and recommendations in the Draft Report. In particular AEEMA supports the report's emphasis on the need for a national policy approach, voluntary rather than mandatory frameworks and the need to ensure sectoral or targeted policies to suit the characteristics of the product, recognising that one policy approach does not fit all sectors. AEEMA would add that industry competes in a global market. Any policy approach that delivers a unique regulatory framework for Australia will greatly limit industry's ability to participate in the international arena, and will undoubtedly create further costs.

The draft report has highlighted that the identification and assessment of how the environment is affected by a product and its disposal is complex and needs close consideration. A product's impact on the environment is largely determined by the inputs used in its development and the outputs generated at all stages of its life cycle, not merely disposal. Changing any single input either to alter materials/energy used (or to influence a single output) will affect all other inputs and outputs.

RECOGNITION OF OTHER POLICY AREAS

It is important to recognise that, in addition to waste management, the design of electrical products is influenced by other areas of public policy, intended to achieve desirable outcomes for our community. Principal areas are safety and energy efficiency,

both of which are the subject of regulation in a number of jurisdictions. Often the aims in the different policy areas are in conflict as they influence the design of products. For example, the increased use of foam insulation in fridges and water heaters (in order to achieve the mandated improvements in energy efficiency) has the potential to cause an increase in the volume of shredder floc created when the product reaches its end of life. Likewise, improvements in appliance design aimed at achieving the safety outcomes required by regulation can increase the amount of waste generated. It is important that the correct balance is struck between all areas of public policy having an impact on the design and manufacture of electrical products.

DESIGN OPTIONS OR DISPOSAL

AEEMA notes the Commission has produced a particularly analytical draft report focussing on strict cost-benefit analyses in most sectors covered. In so doing, the Report places much emphasis on the *endpoint* of waste recovery, that is to say, the disposal of product. AEEMA believes an equally appropriate approach would see a range of possible solutions along the development, supply and consumer line. These could include:

- design options for disassembly;
- design options for use of 'benign' safety assurance substances (such as flame retardants that do not contain high levels of hazardous materials), or using less of them in quantity;
- design for environment (defined by the International Electrotechnical Commission as a "set of procedures for designing products to optimise the ecological features of the product under *existing* technical and *economical* conditions");
- new waste to energy (WTE) principles that address processes at the end of the life cycle;
- the implementation of a well-managed consumer-based advanced recycling fee to cover costs of waste management.

AEEMA notes the Commission's analysis of the costs and benefits inherent in extended producer responsibility (EPR) models, specifically the conclusion that the costs of such intervention may not be justified in all cases by the outcomes. This may be the case from an economic perspective, however AEEMA submits that data from the OECD and other global bodies would indicate that the costs of addressing environmental regulations (either EPR models or the more blunt legislative approach) can be minimised and even eliminated through *innovation that delivers other benefits*. Voluntary agreements between industry and government (EPR or other product stewardship

models) can be useful policy tools to promote innovation. Companies will innovate in response to tighter waste regulations – they will change products and processes so that they generate less waste, and in so doing they save money (from better processes) and then find an opportunity to market that better product at a premium.

The draft report recognises that the indiscriminate application of un-coordinated waste management policies can drive up costs without necessarily yielding commensurate environmental and social benefits. AEEMA supports the Commission's statement that policy makers and consumer attitudes should now be guided by open and rigorous analysis of costs, benefits and risks if waste management policies are to serve us well.

A NATIONAL WASTE MANAGEMENT POLICY

In particular we note the Commission's recognition that differing waste management policy approaches across various jurisdictions have resulted in poor policy coordination, increased costs for industry and reduction of scale economies for government generally. This clearly demonstrates the need for a national waste management approach.

AEEMA is currently working with some state governments to ensure that the disruptive effects of state-based action versus federal public policy approaches are minimised for suppliers. AEEMA's discussions to date indicate that although each state government operates under its own jurisdictional domain so far as waste management and energy recovery are concerned, there is recognition that a national approach is preferable. Attempts are being made through ongoing discussions between industry and governments to deliver balanced, economically feasible outcomes without resorting to blunt regulation.

SECTORAL APPROACH NEEDED

AEEMA supports the cost-effective recovery and recycling of waste products and full life-cycle consideration of social, economic and environmental costs and benefits, to ensure there is informed policy consideration of whether regulatory approaches such as extended producer responsibility (EPR) should be pursued for any given product. But it should be noted that uniform waste policies may not suit all types of products or sectors. As an example, waste management approaches suitable for smaller domestic appliances do not readily translate to large domestic appliances (rarely suitable for landfill treatment) and lighting products. The environmental concern to recycle lighting products, for example, must always be balanced with the cost to transport end of life product over substantial distances. With those materials considered to be hazardous, the impact of transport, possible accidents, and attendant safety considerations mean

that they cannot be managed in the same way as other items. The market for ewaste is not homogeneous and it is necessary to differentiate between, say, computers, televisions, and other types of ewaste. Not only are those products not as easily shipped as smaller consumer products but there is not a robust market for reuse through refurbishment. So a targeted policy framework is required that is suited to the particular characteristics of the item in question.

AEEMA wishes again to highlight the importance of a balanced approach to regulatory imposition and to caution against heavy-handed regulation. AEEMA supports a policy framework that promotes the concept of 'recovery where justified' and 'regulation where appropriate'. We believe this accords with the Commission's approach of assessing the costs and benefits of any regulatory or policy intervention.

VOLUNTARY APPROACHES ARE PREFERRED

AEEMA further supports voluntary industry-based initiatives to increase product recovery, but notes that appropriate 'safety net' legislation will be necessary prior to the introduction of such schemes. We especially note the Commission's assessment that mandatory regulations may not produce net benefits for consumers or the community. A voluntary approach to waste management issues recognises and encourages innovation and flexibility for industry; it is also supported by international experience. In a paper published in December 2005, the Network of Heads of European Environment Protection Agencies stated clearly that "voluntary agreements between governments and industry can prove to be *useful policy tools* to promote innovative environmental practices particularly based on core, realistic regulatory frameworks accompanied by a series of specific voluntary measures and activities of common interest set up with a wide range of stakeholders". (*The Contribution of Good Environmental Regulation to Competitiveness*, p.3.) Consistent with this recognition, mandatory take-back and recycling requirements for waste products can impose significant costs yet simultaneously fail to reduce environmental risks. Mandated recovery of higher quantities of domestic appliances over current levels would involve significantly higher costs, but would likely result in little additional material recycling.

REGULATORY GAMING AND PROs

The Report notes that PROs managed by industry associations may run the risk of capture by a few firms in the association whose interests do not coincide with those of others in the industry. This could happen for instance where rules are introduced that increase a competitor's costs relative to those of the firms in the PRO. AEEMA considers the Commission underestimates the need to ensure all parties play by the same rules. It

is a truism that any stewardship scheme must ensure all industry players are treated the same way – allowing free riders merely undermines the integrity of the scheme and promotes anti-competitive behaviour. This is the reason why associations will always be adamant that rules must apply equally to all parties – it is not a case of creating rules that favour one over the other, but quite the opposite. We recognise that this will often require regulation or legislation, but consider nevertheless that in such cases it is necessary.

This apparent misconception about the criticality of not allowing free riders may have arisen because although the industry is a global one, Australia represents a more insular market for ewaste than some other regions and, as such, may be more susceptible to gaming the system than areas where there is competition beyond country borders. Successful current PROs such as the voluntary one supporting the collection and recycling of mobile phones strictly ensures uniformity of application to all participants.

CONSISTENT DATA

In concluding, AEEMA supports the draft report's Recommendations 13.1 and 13.2 which suggest the Environmental & Heritage Council should co-ordinate the development of a concise, nationally consistent data set for waste management. AEEMA agrees that the lack of nationally consistent and adequate data is a major disincentive to recycling because of the unknown nature of product types, volumes and associated costs. Using existing data collection practices will only address the present situation. Any nationally consistent data collection must include provision for data collection and practices that will capture data useful for *future* waste recycling policy. As an example, while many products today carry barcodes, in the near future RFID devices may be built into complete products for easy product or material identification that will assist recycling. Data collection models for future policy use should recognise the possible adoption of such new technologies.