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WASTE GENERATION AND RESOURCE EFFICIENCY IN AUSTRALIA - INQUIRY SUBMISSION

Introduction

This submission has been prepared to briefly respond to a small portion of the scope of the Productivity Commission inquiry into WASTE GENERATION AND RESOURCE EFFICIENCY IN AUSTRALIA.

In particular the submission suggests that market and regulatory forces, including insufficient accounting for resource consumption, is resulting in significant quantities of useable construction and demolition material un-necessarily entering landfills around Australia.

Consequently the Commission could visit almost any landfill in Australia and see significant amounts of recoverable C&D material being buried.

This submission is a brief summary of some key points based on 10+year of consulting to Local Government Authorities and businesses on waste-related issues.

Response To Issue Paper Questions

What are the economic, environmental and social costs and benefits of waste and waste-related activities?

Socially, apart from amenity issues, working in the “waste” industry rather than “resource recovery” provides a disincentive for bright and motivated people to get involved and tackle the problems. The changing industry Image is assisting progress.

The costs of waste generation in terms of the environment (land degradation, water and air pollution) are well documented elsewhere.

The biggest cost associated with waste is in terms of *intergenerational equity*. We are happily consuming resources on a predominantly single use basis and unnecessarily filling our landfills. Whilst we can currently get away with this practice due to cheap energy, good resource stocks and large spaces for landfill, future Australian's are unlikely to regard our practices as appropriate. With peak oil and associated changover issues, this future could be within a decade.

The benefits of waste related activities are that it is a reliable income-producing sector of the economy that is expected to expand as more materials are separated and recycled. Better resource recovery is an employment-generating industry and could easily offset the job losses associated with downsizing some of the current industries that feed the one-way process of waste to landfill.

What case is there for using waste management policies to improve the sustainability of 'resource use?

As discussed above, we suggest this is one of the most significant issues and every tool that Government has should be enrolled.

What are the market failures (including externalities) associated with the generation and disposal of waste?

The market is not free to operate as the legal cost of entry, due to government regulation, is too high and landfill prices, set by government, are too low.

The market failures of waste management are many, however this discussion will focus on the used building materials sector as an example (construction and demolition, C&D).

As there is inadequate costing of the externalities associated with resource extraction, processing and transport, it is far cheaper to continue with the current flow through approach rather than focus on optimum resource recovery. The scale of the resulting waste generation is millions of tonnes per annum. Whilst there have been excellent increases in some areas such as green wastes (shredding, mulching, shearing of stumps) and concrete recycling, a visit to almost any landfill will confirm there is very far to go.

How important are market power issues in waste management? Are there barriers to entry in the markets for collecting and recycling waste and what are they?

Market forces by their nature are driven by income opportunities. Current waste management practices do not create enough profits to legitimise the entry into the market of the number of businesses required to process the amount of waste being

generated. This is because the cost of operating at small sites is not something that many large companies will bother with, although they will make at least subtle attempts to block other parties from doing so. Council for the most part do not have the financial resources to pay reasonable rates to support the establishment of optimised resource-recovery-focussed operations rather than simple sorting and landfill.

For potential new small players the establishment cost of gearing up to comply with health, safety and tax laws is such a disincentive that most give up and many others just don't comply.

Therefore, landfill based Resource Recovery Businesses need to be facilitated and developed with the support of local and federal resources.

What regulatory and institutional barriers are impeding the development of markets for recovered resources? What is the case for removing these barriers?

One issue is clauses in construction specifications that require the incorporation of "new" materials. These actively discourage reuse and recycling and should be replaced with clauses that allow for reused/recycled materials with the approval of the superintendent/project manager.

Getting a start with a new recycled material is very difficult, as few organisations are willing to risk it. Unfortunately, the history of failures (plastic wood, recycled paper etc) has dinted the enthusiasm of most. Ongoing education of buyers is required to quickly disseminate proven new recycled material. The crushed concrete as roadbase specification is an example of a good initiative that has been under promoted.

A major barrier to improved resource recovery is the artificially low rates for disposal at many landfills. Responsible government authorities should be encouraged to work out the real cost of disposal, including the allowances for the externalities, (at least the reasonably connected ones), and price disposal accordingly. This will encourage all the other options on the hierarchy. Yes, people will complain at first and illegal dumping will increase for a while; however, these issues can be handled.

The need for Industry and Community Education

The biggest problem in the re-use of recycled building products is the cost to the business in using these products. The perception is that it takes longer to use recycled product. Therefore the builders also need to be educated and encouraged to re-use. Various government initiatives including case studies have been produced which aim to debunk this generalisation; however more work is required.

The timelines of construction projects needs to be addressed. Market forces and arbitrary government deadlines demand shorter timelines in project construction at

the risk of many smart practises such as de-construction of buildings and reuse of materials being undermined due to time constraints.

Communities need to be continually educated and kept abreast of changes to waste and sustainability practises so they can demand the best from industry.

What strategies should be adopted by government and industry to improve economic, environmental and social outcomes in regard to waste and its management?

The main contention of this submission is that the Commonwealth Government should work in conjunction with the State and Local Governments to establish resource recovery centres at every landfill in Australia. The mission of these enterprises is to capture materials for *local reuse* and recycling rather than landfill. The aim is to significantly reduce the costs associated with mining, processing and transport of new building materials.

Once this base was established, offshoots including non-ferrous metal, composting etc could evolve depending on the local markets.

At most landfill sites, these operations would suit a small business or a local government operation *with staff who could benefit from incentives based on the tonnage recovered*.

Naturally there are major industry players who will probably not initially be supportive of such a plan. However, the concept of *extended producer responsibility* (EPR) requires that governments encourage industry to extend their vision of their role where they have not or are not willing to do so themselves.

Whilst there are good examples of tip-based businesses in the Canberra region, there are also many more places that could justify the labour input to save resources from the landfill. The outcomes of such an initiative would include:

- local employment,
- onshore value-adding industry,
- resource cycling, and
- reduced environmental impact.

However, it's not going to happen without support from government. Major obstacles include the obligations associated with compliance with OHS standards, tax laws etc. These obligations have merit and therefore assistance is required to lift the capacity of interested local business people to allow them to participate in this opportunity.

The Commonwealth Government has the capacity to do this through Regional Development Initiatives, New Enterprise Incentive Schemes, the Entrepreneurial Tax Rate and so forth.

However, the program would not achieve a fraction of its potential if not supported by EPR or some other ongoing supportive approach because the changes required are significant. Briefly:

- material suppliers need to downsize their production/import operations;
- waste producers need to separate their materials;
- sorting, and value adding needs to occur; and

- the reintroduction of these materials into construction projects needs to be encouraged from both the financial and regulatory perspective.

The challenges associated with EPR in this regard including orphan waste, imported waste, and a large number of producers, are acknowledged and therefore other mechanisms may be needed.

Conclusion

Current practices leading to the creation and reuse of construction and demolition materials have favoured single use and disposal mentalities. Whilst this is changing, predominantly in the major cities, a large amount of recoverable material is still wasted.

By facilitating the establishment of resource recovery operations at every landfill in the country, significant benefits would be achieved in the triple bottom line sense. However, the pain of change associated with this proposal is acknowledged and therefore long-term support would be required to carry it through.

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