JOINT WORKING GROUP TYRES

SUBMISSION TO PRODUCTIVITY COMMISSION

Waste Generation & Resource Efficiency Inquiry

Prepared by Renewed Rubber Pty Ltd
on behalf of JWGT

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Introduction

The Joint Working Group Tyres was convened by Renewed Rubber four years ago as a specific "producers" group for tyres, to represent the major tyre brands via their respective associations, the Australian Tyre Manufacturers' Association (ATMA) and the Australian Tyre Importers' Group (ATIG) for the express purpose of negotiating a National Used Tyre Product Stewardship Scheme (NUTPSS).

These negotiations are now well advanced as detailed on the ATMA website (http://www.atma.org.au/Position%20Papers.htm).

This submission doesn't seek to repeat or reproduce the comprehensive sequence of information available on this website, but takes this opportunity to address the general terms of reference of the Inquiry by responding to many of the questions raised in the Issues Paper by direct reference to the reference documents publicly available on the ATMA site. In particular, this submission will refer to the "Brief for the Financial & Economic Analysis" 30/07/04 (Abridged) and the final report that was prepared by URS for ATMA / ATIG December 2005 in full satisfaction of the JWGT "Brief".

This JWGT, DEH/EPHC, other main stakeholder Roundtable initiative, even after four years is still a work-in-progress, but is now sufficiently well advanced as to present with a strong likelihood of proceeding to completion in something closely resembling its current form; and as such provides an excellent example of how inclusively developed industry / Government, co-regulatory schemes such as this NUTPSS can have significant beneficial impacts in the prevailing "waste" debate:

i) By optimising resource use / application from materials usually perceived as difficult waste problems

ii) By developing comprehensive transitional arrangements that are equitable, cost effective and sustainable

iii) And providing solutions that interface with external trading relationships, whilst providing a comprehensive local solution.

The final implementation of this NUTPSS is dependent on approval from EPHC on at least two more occasions before finalisation, for:

i) Provisional approval of the Scheme – to provide assurance for a) the jurisdictions to complete drafting and execution of the regulatory (NEPM) framework and b) for the "producers" to complete the detailed "PRO" management plans and recruit the necessary staff, and

ii) Final approval before final implementation of the fully scoped and detailed scheme

As publicly available at the ATMA website (http://www.atma.org.au/Position%20Papers.htm) the JWGT, used tyre, product stewardship initiative demonstrates:

a) That voluntary industry groups can work most productively with Government (and other key stakeholders) to thoroughly address single commodity (tyres) issues for an optimal economic, environmental and social outcome and within a co-regulatory framework

b) That basing such a scheme on the concept of recovering the highest net resource value from the materials themselves provides the only sustainable approach for such schemes (differentiation)

c) That targeted and defined (time and scope and outcomes) incursions into the "market" are both necessary and effective to efficiently address such market failures

d) That such collaborative and **co-regulatory** (but proactive) incursions into the market are necessary in any sector that doesn't have high entry cost safeguards (or highly specialised sector characteristics) to manage "free rider" issues.

We provide reinforcing comments to certain of the Inquiry Discussion Paper questions as follows:

Question 2

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

Original tyre manufacture involves combining resources with an average market value of $2,000/t. As a waste, such materials present as a disposal **cost** at worst approx. $100-$200/t (negative) or perhaps an energy value of $10-$30/t. Therefore, taking a resource productivity / efficiency approach, the existing "market" is squandering, or failing to recognise some resource potential of between $30 to $1,500/t as Tyre Derived Products.

The proposed NUTPSS specifically addresses this issue and provides for all "waste disposal" costs and issues to be entirely provided from the recovered value in the materials themselves – once the scheme has run its course and achieved its objectives.

Question 3

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

The proposed NUTPSS provides an excellent example of what Government and Industry can achieve – if expertly led and focused and provides a platform for much expanded activity in this area.

Question 5

Your views on the need for additional data are sought.

The NUTPSS development process has produced all its own data and proposed framework to maintain the currency of the data going forward

Resource Efficiency

Questions 16-19

Are there any other interpretations of resource efficiency that should be taken into consideration when considering policy in the waste management area?

How can Australia improve the economic efficiency with which resources are used in waste management and disposal?

Are the levels of waste generation and disposal in Australia too high? If so, what is the basis for assessing this?

What are the costs and benefits of the different approaches to waste management (such as reuse, recycling and energy recovery)?

The proposed NUTPSS is based on a most enlightened adoption of the resource efficiency principles, which is designed to lead to a situation where no tyre need present as a waste in the future and the social and environmental goals are achieved as fully internalised outcomes.

Market Failures and Arguments for Government Intervention

Question 20

How large are the external costs of properly constructed and managed landfills and other types of waste disposal in Australia? What types of costs are involved? How do these costs vary according to the type of waste?

Any tyres to landfill are a total waste of the resource potential.

Question 22

Do these externalities warrant a government policy response?

The current NUTPSS could not have been designed and developed **without** the appropriate Government facilitation that was sought, offered and provided.

Market power in waste management

Question 27

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?

The current “waste management” paradigm for used tyres (collect and dispose at least cost with some resource recovery at the margins) will be replaced within the proposed NUTPSS with a resource recovery paradigm, whereby the primary focus is on accessing used tyres so as to be able to supply and support established Tyre Derived Products’ markets first (with collection disposal as a collateral benefit).

Question 28

What competitive discipline do exports have on the market power of domestic processors?

Once established, the NUTPSS should see TDPs exported freely and used tyres imported for processing from less enlightened jurisdictions.

Question 29

Are institutional or regulatory barriers preventing the uptake of better waste management practices and how?

The proposed NUTPSS addresses the fundamental free rider issue, provided a comprehensive legislative framework to address the free rider issue is implemented by the Federal, State and Territory Governments.

Question 33

How effective has the mix of policy instruments been in achieving efficient levels of waste? What policies have produced the most efficient outcomes?

Existing policies and strategies have maintained the current "market failure" with used tyres that the NUTPSS seeks to address systematically.

Question 34

How are targets being set? What consideration is given to the social, environmental and economic costs of achieving these targets? How should targets be set to optimise social, environmental and economic outcomes?

The proposed NUTPSS contains its own KPIs and objectives.

Question 48

What are the advantages and disadvantages of extended producer responsibility and product stewardship schemes?

The outcomes from the proposed NUTPSS are only possible because of the development of the current PS / EPR arrangements.

Question 50

Which products are most amenable to these arrangements?

Used tyres demonstrate the material / product groups most suitable for PS / EPR schemes –

a) They are icon or readily definable materials

b) They have significant currently unrealised resource potential

c) They represent potentially significant waste / disposal issues if not recovered

d) They could significantly contaminate or devalue standard Urban Solid Waste residual waste streams if not recovered.

Question 51

How should importers be treated under these schemes?

Yes and they are core participants in the proposed NUTPSS (ATIG).

Question 52

Who should bear the responsibility for the disposal of 'orphaned' products (that is those products in circulation before the scheme is introduced)?

Because of the significant resource potential, orphaned tyres will be covered by the proposed NUTPSS.

Question 53

What are the advantages and disadvantages of the different regulatory options for setting up extended producer responsibility or product stewardship schemes: self regulation, co-regulation and explicit legislation?

Co-regulation (http://www.ephc.gov.au/pdf/product_stewardship/ProductStewardship_IndustryDP.pdf) is optimal for used tyres.

Question 54

What should be the relative roles of industry and government in the development of such arrangements?

See (http://www.ephc.gov.au/pdf/product_stewardship/ProductStewardship_IndustryDP.pdf).

Question 56

What is the most appropriate way of collecting products covered by an extended producer responsibility or product stewardship scheme?

Existing or expanded collection systems will suffice for tyres.

Question 57

What is the role of levies in extended producer responsibility and product stewardship schemes?

To raise the working funds to achieve the **defined** scheme objectives.

Question 66

Do the benefits of community and business education programs on the creation and disposal of waste justify the costs involved? Which types of programs are more successful in this regard?

The proposed NUTPSS contains a budget for all scheme promotion and education.

Question 70

Are there any significant regulatory differences between the states and territories in waste management? What are the costs of these differences?

The current NUTPSS was only possible with Commonwealth leadership and coordination of the jurisdictions.

Question 72

When is it appropriate to implement uniform national approaches and when is it appropriate for the jurisdictions to pursue their own agendas?

Perhaps State jurisdictions could localise implementation measures.

We thank the Inquiry for this opportunity to present the proposed NUTPSS and demonstrate the leadership and effort that has been developed from within the tyre industry and engaged so productively with the Commonwealth.