Productivity Commission
Inquiry into Waste Generation and Resource Efficiency

Submission from the State of Tasmania on the draft Productivity Commission report entitled "Waste Management"

Tasmania's original submission to the Productivity Commission indicated our support for the terms of reference for the Inquiry as issued by the Federal Treasurer, Peter Costello. The second paragraph of our submission cautioned the Productivity Commission against being distracted from those terms of reference by 'waste management', or what the Commission denotes as 'downstream', issues.

Judging by the draft report, I am concerned at the Commission's failure to make any substantive recommendations addressing resource or 'upstream' issues. Indeed the Inquiry has been rebadged as "Waste Management", which has an entirely different connotation to the original title. This constitutes a clear departure from the terms of reference document, which employs the word 'resource' on no less than 11 separate occasions. A coordinated approach to resource issues is necessary to the national interest and this Inquiry provides an unprecedented opportunity to shape such an approach.

Upstream regulatory intervention spans a very wide range of potential policy approaches, for example measures as diverse as a nationally imposed carbon tax or State-specific legislation on resource extraction and energy consumption could be considered. Tasmania would be very interested to hear more detail from the Commission as to the recommended forms of upstream regulation. It is Tasmania's view that regulation of upstream issues would almost certainly need to be nationally coordinated. It is not considered appropriate for State based agencies to attempt to address potential resource depletion issues directly, given that finite natural resources are typically national and global issues.

The Commission encourages direct regulation of resource impacts at the upstream end; however, the Commission provides little direction as to who should drive this or how. Box 5.2 of the Commission's draft report lists some examples of upstream policies, without specifically addressing their relative merits or otherwise. The Commission should suggest approaches that could efficiently target upstream impacts. Tasmania would be interested in the Commission's views of direct regulatory approaches to 'design for recycling' at the upstream end, and how these might be implemented in Australia. Our view is that Extended Producer responsibility (EPR) approaches are beneficial because they create a link (which otherwise does not exist) between the designer/manufacturer and the end-of-life product.

The Tasmanian agency that undertakes environmental impact assessments in relation to resource harvesting and resource processing proposals currently does not consider resource depletion and resource efficiency as part of the environmental impact assessment process. It is our understanding that similar restrictions exist in other States. This effectively means that upstream issues are often beyond the reach of environmental regulators.

It is noted that the Commission recommends that greenhouse impacts arising from landfill gas emissions should be addressed nationally. Tasmania supports this recommendation and further recommends that this approach be extended to cover direct regulation of greenhouse gas impacts arising from resource harvesting and resource processing activities (including their associated transport). The Tasmanian environmental agency does not regulate greenhouse gas emissions (except in the case of landfill gas from large landfills); however, it does support waste minimisation, cleaner production and energy recovery, which have a direct bearing on greenhouse gas emissions. It is Tasmania's view that waste minimisation goals align very well with resource conservation goals when greenhouse, energy and water consumption issues are given the weight they deserve.

The Commission indicates (pg. 102) that the market will tend to self-resolve resource scarcity issues through price rises which in turn encourage the search for new reserves and for resource recovery solutions. While this may be true in terms of economic theory, recent fuel price hikes suggest that rising prices can begin to impede business profits long before they impede consumption. Careful management of all finite natural resources is in the national interest, it is also in the interest of future generations who should not have to bear the cost of today's unrestrained consumption.

Tasmania is concerned that the Commission's draft report does not support recent efforts to recover oil-based products at end-of-life, such as plastic bottles, waste oil and tyres, despite those efforts being conducted in the absence of heavy-handed regulation and with general support from industry and the community. The Commission also appears to have ignored the fact that recovery of these resources may help to extend the life of oil reserves to a small degree.

Globally accepted definitions of sustainable development (eg, UN Brundtland Commission 1987) universally require that current decisions make allowance for the reasonably foreseeable resource needs of future generations. The Commission's purely market-based approach and assumptions of future technological adaptations to extend the life of finite resources can therefore be considered short sighted and inappropriate.

The Commission attempts to define 'resource efficiency' (pg 7); however, the Commission then indicates that it prefers to use the term 'economic efficiency' instead. While this concept relates directly to the current area of expertise of the Commission, we believe that consideration of resource efficiency should take into account all costs and inputs into the production and use cycle of a product or service, as well as intergenerational equity of access to those resources. Accepted definitions of the words 'resource' and 'efficiency' do not allow resource efficiency to be encapsulated entirely within the meaning of 'economic efficiency'. It should be noted that improving resource efficiency does not necessarily lead to a decline in the economy, because product innovation to use resources more efficiently can benefit the environment, the economy, and sustainability of resources for the future. The Terms of Reference explicitly directed the Commission to investigate resource recovery and resource efficiency, and this has not been achieved.

Tasmania concedes the difficulty of, and the diversity of approaches to, quantifying relatively intangible social and environmental benefits during regulatory impact assessment processes (which are mandatory in all Australian jurisdictions as part of policy development). Nonetheless, this must be the task of the political and administrative processes of government. Indeed the Commission's first term of reference explicitly requires the Commission to take into account "economic, **environmental and social** benefits and costs" (emphasis added). An important point to note is that social benefits do not necessarily always mean 'no or least cost'.

Through the 'Tasmania *Together'* process, Tasmanians have explicitly identified reduced consumption and waste generation as long term community goals.

The Commission's over-emphasis on financial costs and benefits does not accommodate a reasonable and appropriate consideration of non-monetary environmental and social benefits. It is Tasmania's view that net social value cannot always be measured in dollar terms. The Commission's advice on how these matters can be better integrated into the regulatory impact assessment process is sought. For example, are there valid methods of valuing 'eco-dollars' and 'willingness-to-pay' for use in cost benefit analyses? Of course some matters will always remain intangible, such as for example the value of saving a species from extinction.

Kerbside recycling in Tasmania represents an interesting example of the importance of community attitudes. Kerbside recycling services are operated by local government in most Tasmanian municipalities. Public participation in these services is excellent. The following facts can be stated in relation to this activity:

- it is not economically justifiable in its own right (perhaps more so in Tasmania due to small economies of scale and transport costs associated with marine freighting of recovered resources);
- it is heavily subsidised by ratepayers;
- it was introduced in response to public demand;
- it has been in place for about a decade;
- it recovers resources that in turn displace virgin materials;
- it recovers resources that are relatively benign in a landfill setting;
- local government does not want to spend any more on this activity; and
- the Department of Tourism, Arts and the Environment is not aware of any public complaints or concerns in relation to ratepayer subsidisation of this activity.

The above facts are undeniable and readily evident, yet the Productivity Commission finds kerbside recycling questionable on economic grounds ("…there is significant doubt that kerbside recycling will deliver net social benefits unless it is privately cost effective" Draft Finding 4.4). Had Tasmania taken the same approach as the Productivity Commission many years earlier, it is unlikely that kerbside recycling would have been introduced in this State. If kerbside recycling had not been introduced, Tasmania's contribution to making Australia the world's best recycler of newsprint would have been dramatically weakened (because our newsprint collections 'piggyback' on the kerbside collections). Current landfills would also have less remaining air space, would contribute to greater greenhouse gas emissions, and there would be significant public debate about alternatives that are within cost-effective transport distance of areas producing waste.

It is Tasmania's view that the Commission has failed to adequately consider both the difficulty of finding publicly acceptable sites for new landfills near to population centres, and the cost of transporting waste to ever more distant disposal facilities. It has also failed to adequately consider the very high cost to ratepayers of landfill development (ie, design, construction, facilities for gas extraction, surface and groundwater protection), as well as addressing future liabilities and the need for on-going monitoring and remediation of groundwater contamination.

It is of some interest that the Commission has costed the externalities associated with landfill disposal at up to $25 per tonne, because addressing this quantum of externalities would require an increase in average Tasmanian landfill gate fees of some 60%. Tasmania does agree with the need to get disposal prices right, to reflect the true cost of disposal. Tasmania is not able to comment on the accuracy of the Commission's estimated valuation of the externalities, due to the citation of a number of studies with vastly differing estimates. The Commission's modelling, however, does not appear to address the 'community service obligation' issues that conspire to keep fees low at Tasmanian landfills. That is, the majority of Tasmanian landfills are Council owned and not run as commercial enterprises, yet approximately 50% of the waste they receive is derived from the commercial sector; therefore ratepayers are subsidising business profits by funding low cost landfill disposal.

It is of considerable interest to us that the Commission values the greenhouse gas externality at $20 per tonne of waste in the landfill. It is our view that if the upstream greenhouse gas impact of first extracting, then transporting, processing, distributing, selling and using that tonne of waste were also taken into account, it would significantly increase the negative value of the greenhouse externality. Of course this negative externality applies to all resource consumption, not only to that which ends up in a landfill.

One final comment relates to draft recommendation 10.2 in which the Commission comments on the suitability of product stewardship schemes for computers, televisions, and tyres. It is Tasmania's view that in making this recommendation the Commission over steps its terms of reference, because the recommendation relates to hazardous wastes. Computer waste contains various heavy metals and brominated flame retardants, and the average cathode ray tube monitor or television contains around 1.5kg of lead. The recent tyre fire at Tasmania's Baskerville Raceway is a reminder of the potential harm which tyres (a controlled waste in Tasmania and other states) can cause in terms of both air emissions and land contamination.

With regard to the request for information on the limitations of State and Territory local government legislation for implementing variable charging systems, there are no such barriers in Tasmanian legislation. The costs to implement such a system in Tasmania may outweigh the benefits, although the idea is considered worthy of more detailed investigation.