Productivity Commission Inquiry: Initial Submission

WSN Environmental Solutions welcomes the opportunity to make an initial contribution to this Inquiry.

We have decided only to address a small range of matters in this submission. These matters are ones in which WSN has particular knowledge, or where we believe it is reasonable and practical to expect some debate to occur. WSN's business focus is on NSW and in particular, Sydney, and our comments therefore have that focus.

WSN will await the Commission's interim report and may further respond to issues that are raised in that report.

About WSN

WSN Environmental Solutions has more than 30 years experience providing reliable and responsible environmental services to the greater Sydney area and beyond.

Our range of services includes:

- kerbside collection of waste and recyclables
- processing, recycling and recovery of resources from waste streams
- waste disposal
- education, advice, industry programs and other related services
- general contract and transport services related to waste.

We own and operate Australia's largest and most advanced waste management network consisting of 10 waste recycling, processing and disposal facilities. This network is designed to deliver uninterrupted service for our customers. We also offer access to Sydney's first large-scale Alternative Waste Technology (AWT) facility for household waste, located at Eastern Creek, and have recently been awarded the contract to build another such plant in south-western Sydney.

The business currently employs around 340 people and is wholly owned by the NSW State Government. In 2004-5 WSN's revenue was $192million.

Our Charter

The Waste Recycling and Processing Corporation (trading as WSN Environmental Solutions) was corporatised on 1 September 2001 under the *Waste Recycling and Processing Corporation Act 2001*.

The principal functions of the Corporation are to:

- establish, maintain and operate waste facilities, secondary resource facilities and related facilities
- conduct business or provide services relating to waste and secondary resource recovery
- provide waste management services, secondary resource management services and related services

- research, develop and implement alternative technologies for managing waste
- trade in waste and secondary resources.

In exercising its functions, WSN must strive to achieve international best practice in waste management, acting in accordance with the principles of ecologically sustainable development.

On March 21, 2005 the organisation changed its trading name from Waste Service NSW (a name it had operated under since 1992), to WSN Environmental Solutions.

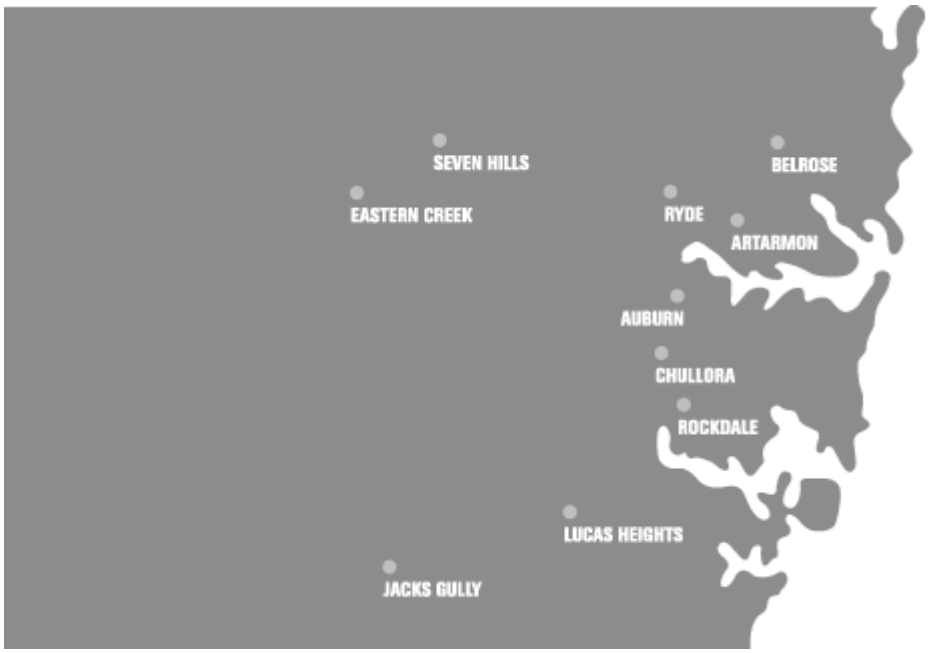
WSN facts

- In 2004-5 WSN processed just over two million tonnes of Sydney's waste and recycling, around 25% of the total waste generated in Sydney. If Construction and Demolition waste generation is excluded – a minor business line for WSN – then WSN processes about 40% of Sydney's municipal and commercial/industrial waste stream.
- Two-thirds of WSN's waste business is putrescible waste – the rotting food and mixed waste that remains in the residual household bin. WSN is the **largest putrescible waste processor and disposer for Sydney**.
- This waste has traditionally been landfilled. However, increasingly, Alternative Waste Technology is used to process this stream of waste, extracting additional recyclable product, creating various products including variously, compost, combustible fuel, water and green energy. With the awarding of the South-West Sydney waste processing tender to WSN late last year, WSN is now set consolidate its position as **Australia's leading provider of AWT services**. Along with the UR-3R plant, in which we partner with Global Renewables, WSN will have 265,000 tonnes per annum of AWT processing capacity for Sydney – most of which is already pre-sold.
- Over the four years to June 2006 (forecast) WSN has experienced a 40% reduction in annual tonnes disposed at its landfills. This is due to:
    - the introduction of AWT;
    - entrance of an aggressive new competitor;
    - increased recycling and streaming of dry waste from the mixed putrescible waste stream.
- WSN operates the **largest and most advanced Materials Recycling facility in the Southern Hemisphere**. This plant, at Chullora, processes and separates co-mingled recyclable product (including paper, glass, metal and plastic) which is then sold or exported as feedstock for manufacturing processes.
- WSN is **Australia's largest recycler of green waste**, handling over 150,000 tonnes annually.
- WSN's landfills are **highly engineered, modern and are regulated by strict environmental and planning controls**. WSN has pioneered new landfilling techniques in Australia (including bioreactor techniques in 1994).
- WSN led the Australian waste industry in converting landfill gas to green electricity, commencing in 1994. With an installed capacity of 30MW,

WSN's landfills are **Australia's largest producer of energy from landfill gas**, with enough to power up to 30,000 homes all year with green power.

- WSN is the **only waste and recycling business in Australia to publish independently audited sustainability performance indicators**, developed in accordance with the Global Reporting Initiative. These are published in our Annual Reports.
- WSN operates profitably and in accordance with the NSW Government's Guidelines for Competitive Neutrality.
- All of WSN's business is fully contestable, it receives no funding from NSW taxpayers and pays dividends and tax equivalent payments to the NSW Government.

Our Sydney facility locations



Landfill locations – Lucas Heights, Eastern Creek, Belrose and Jacks Gully.
AWT locations – Eastern Creek, Jacks Gully*
Waste and Recycling Centres (transfer stations) – Belrose, Auburn, Artarmon, Ryde, Rockdale, Seven Hills and Chullora.

* seeking planning approval following tender win

1 Economic Instruments and Waste

WSN believes the most efficient resource recovery outcomes will be supplied by high-level economic signals from government and a robust system of regulation. Market Based Instruments send the clearest signal with the least interference, allowing both waste generators and service providers to deal with the challenges in their own way.

Market-Based Instruments

WSN has previously endorsed the development of a more precisely targeted market-based instrument (MBI) for resource recovery. Over time, WSN agrees that there should be a migration from the existing waste levy structure to a more precisely targeted MBI. However, we would make the following brief points about such a shift:

- any transition needs to maintain the price pressure that helps drive resource recovery. Without regulation seeking to allocate the externalised cost of landfilling activity into the cost functions of producers and aggregators of waste, it is unlikely that alternatives to landfill disposal will emerge.

- WSN notes that the likely shape of a targeted Market Based Instrument would be in the form of certificate trading, modelled on schemes that operate for electricity and water. Essentially such schemes trend down in volume over time, with liable parties who perform better than the targeted rate trading unused “environmental bad units” (in waste’s case, disposal to landfill) with those who have not met the target. This represents a subsidy from poor performers to better performers, and creates a bottom-line incentive to be “ahead of the game”. For such a market to operate, a starting point has to be set. It is unreasonable to expect that early movers who have already taken action to reduce their disposal rate should face the same burden as those who have not. This is not seeking to break new ground: these early mover issues have been adequately addressed in earlier trading schemes.

- The issue of national versus state based application is also important. WSN believes that any such scheme would need to be implemented on a national basis. Blunter economic instruments such as the NSW Waste levy work well on a state level because the charge on waste per tonne does not make interstate transport of waste a cheaper option. However if a scaled, more targeted scheme was implemented it would be possible for the transport of waste to other jurisdictions to be cheaper than compliance.

- Finally, the process of developing an MBI should be open and transparent, so as to minimise the inherent uncertainty that surrounds proposed regulatory change.

Accordingly, the task of developing an MBI should be considered very carefully before being embarked upon.

The Sydney Waste levy

The NSW Government has recently announced the extension and gradual increase of the existing waste levy from $22.70 to $56.70 per tonne by 2011. While being a blunter instrument for inducing change, it is effective and less complex than a targeted instrument would need to be.

The waste levy has been operating in NSW since 1996. In that time notable waste reduction has been achieved. There is little doubt that high landfill pricing is a major component affecting the economics of resource recovery. We note that Sydney landfill prices are acknowledged as the highest in the nation, and that the reality of that situation has had no small part in the decision of (so far) eight Sydney councils to commit to AWT solutions for all or part of their putrescible waste stream. This is prior to the recently announced levy increases, which will strengthen the case for AWT. A recent Nolan-ITU report estimated relative landfill disposal costs in 2003/4 for Australian cities as follows:

Population Centre	**2003/4 landfill Levy/$ /tonne, ex GST**	**Landfill Disposal Cost Including Levy ($/tonne), ex-GST**
Sydney	19.80	77.00
Melbourne	5.00	34.00
Brisbane	0.00	56.00
Perth	3.00	30.00
Adelaide	10.09	51.00
Canberra	0.00	50.00
Newcastle	11.40	50.00
Gold Coast	0.00	55.00

Source: Nolan-ITU, National benefits of Implementation of UR-3R process – A Triple Bottom Line Assessment, 2004.

Residents of the Sydney Greater Metropolitan Area now recycle 91 Kg of Rubbish per year compared to just 30 Kg in 1990.

Fifty-three percent of the 8.8 million tonnes of Waste generated in the SMA is currently diverted from Landfill in some capacity. Outside of Sydney, where the levy is either much lower, or, more generally, does not apply at all, the recovery rate is 35% (See DEC Progress Report 2004, “Waste Avoidance and Resource Recovery in NSW”).

An important impact of the levy has been the bottom line incentive it has given business (especially construction) to source separate and sell valuable

resources contained within their waste streams. At the moment the levy only impacts areas where waste can be easily harvested from the Waste Stream. The new levy increases will bring waste reduction more substantially into the bottom line thinking of business.

Conclusion

It is possible that the complexity of the creation process and the likely level of regulation required to properly enforce any outcome from an MBI may place it out of reach as an option in the short term. WSN supports further investigation of such schemes but recognises the current NSW Waste Levy is relatively non-complex and generally effective in driving increased resource recovery. WSN supports the investigation of a more targeted MBI for the long term.

2 Hypothecation

The hypothecation of funds collected from Waste Levies has long been a contentious issue in the Waste industry.

WSN supports some hypothecation. However, participants need to acknowledge that the primary source of competitive advantage in new technology areas will come from their own commitment to invest and promote new technology, not the public purse.

WSN does not believe collected levy money should be used to fund particular technologies. Grants should be focused on areas that encourage waste reduction outcomes not to subsidise what should be commercial activities.

Examples of simple and practical measures that would be effective uses of hypothecated funds include:

- Helping to fund the development and operation of an MBI scheme;
- Funding incentives to achieve waste reduction benchmark outcomes;
- Targetting toxic waste initially via bounty eg $X per car battery, or per litre of pesticides, paints and solvents handed in, rather than deposited in the putrescible waste bin. The amount X needs to be sufficient to provide an incentive for both generators and service providers to separate these wastes from the mixed stream. Ultimately, any scheme should be funded by manufacturers, but Government can pilot such schemes;
- Fostering community acceptance of products made from recovered waste.

3 Extended Producer Responsibility

WSN has experience in organising EPR collection programs. We have worked under contract for both industry and government in servicing two chemical collection programs - the state wide Cleanout chemical collection program and the agricultural industry collection program ChemClear.

WSN supports programs that promote environmental benefits and encourage organisations to think about the environmental impact of products throughout their entire life cycle.

In particular:

- EPR needs support from the Federal Government and COAG so as to address the import and orphan issues, and to minimise intra-state differences that can create perverse outcomes.
- WSN notes that earlier trials (for example the RecycleIT trial conducted in 2002-3 in Sydney) found that the best sites for IT recycling drop-off were existing waste and recycling sites. WSN is well-placed to provide such a service, but such a service needs the support of producer industries. Again, a bounty system may provide appropriate incentives.
- WSN is confident it can extract most materials from the putrescible waste stream, provided a producer is prepared to pay the appropriate price to receive the recovered material back.