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TRANSCRIPT OF PROCEEDINGS

PRODUCTIVITY COMMISSION

INQUIRY INTO WASTE GENERATION AND RESOURCE EFFICIENCY

MR P. WEICKHARDT, Presiding Commissioner

TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON THURSDAY, 3 AUGUST 2006, AT 9.07 AM

Continued from 2/8/06

MR WEICKHARDT: Good morning, ladies and gentlemen. Welcome to the public hearings for the Productivity Commission inquiry into waste generation and resource efficiency. My name is Philip Weickhardt. I'm the presiding commissioner on this inquiry. The inquiry started with a reference from the Australian government on 20 October 2005. The inquiry will examine ways in which waste management policies can be improved to achieve better economic, environmental and social outcomes. The inquiry covers solid waste and, more specifically, the issues associated with municipal, commercial, industrial, construction and demolition wastes.

We're grateful to the many organisations and individuals who have already participated in this inquiry. The purpose of these hearings is to provide an opportunity for interested parties to discuss their submissions and their views on the public record. We released a draft report on 23 May 2006 and have received a number of submissions on the draft report. We have already held hearings in Perth, Brisbane, Sydney and Canberra, and today will be the completion of the hearings in Melbourne.

After considering all the evidence presented at the hearings and in submissions, as well as other relevant information, a final report will be forwarded to government in October 2006. Participants in the inquiry will automatically receive a copy of the final report.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason comments from the floor cannot be taken, but at the end of proceedings for the day, I'll provide an opportunity for anyone wishing to do so to make a brief presentation.

Participants are not required to take an oath but are required under the Productivity Commission Act to be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions or by other speakers here today. The transcript will be made available to participants and will be available from the commission's web site following the hearings. Copies may also be purchased using an order form available from staff here today. Submissions are also available on the web site or by order form.

To comply with the requirements of the Commonwealth occupational health and safety legislation, I draw your attention to the fire exits, evacuation procedures and assembly points. The fire exits are out this door, or the one next to it, and into the lift well, and there are stairwells that are labelled on either side of the lift well. We also have a fire warden with us today from the commission, who I'm sure will assist us. Although it's a bit overcast, the assembly point is opposite in the Treasury Gardens, quite a nice place to go.

Can I ask people to turn off their mobile phones or turn them to silent. I'd now like to welcome our first participant, the Waste Management Association of Australia, landfill division. If you could please for the transcript give your name and the capacity in which you're appearing.

MR BATEMAN: My name is Sam Bateman and I'm the chair of the national landfill division of the Waste Management Association of Australia.

MR WEICKHARDT: Thank you very much indeed, and thank you for appearing and for your submission, which you should assume we've read. But if you'd like to make some introductory comments, that would be helpful.

MR BATEMAN: I've prepared a short overhead presentation, Mr Weickhardt, and I'd like to talk to that.

MR WEICKHARDT: Fine. We'll just adjourn for a moment while we get this sorted out.

MR WEICKHARDT: We'll recommence, thank you.

MR BATEMAN: If you'd just move to the first slide please, Nigel.

(Overheads shown)

MR BATEMAN: What I've done in this presentation, Mr Weickhardt, is to just go through some of the draft findings in your draft report and draft recommendations and to make some specific comments about them. The first one I'd like to comment on is draft finding 2.1, which is about data on waste. I'm just commenting that it's often stated in various government policy documents that Australia is a particularly wasteful society based on the amount of waste being sent to landfill on a per capita basis. This is certainly the case in Victoria and I think in other states as well.

In Victoria the amount of municipal waste - waste that is defined as municipal comes from residential premises and some council activities - in 2003, the latest year for which I could get figures, was 380 kilograms per capita per year. That is the amount of waste going to landfill. Since the original hearings of the inquiry I prepared a paper - and I've attached that to my submission on the draft report - about what was happening in Europe in terms of waste generation and particularly the landfill directive that's operating in Europe. During that process I got some data from the European Union itself, which commissioned various reports into the amount of municipal waste being sent to landfill. It turns out that Australia is certainly not a wasteful society when compared to our colleagues in Europe, and I give a few

examples there of other countries in Europe. These are the ones which generally depend on landfill for waste disposal as does Australia.

In Ireland it was 500 kilograms per capita, in the UK it was 460 kilograms per capita, in Greece it was 380, the same as Victoria; in Spain, 370; in Portugal, 340; in Italy, 320, and in Finland it was 290. All of the countries I've quoted there have some amount of incineration in their waste management systems, whereas Australia has none - no incineration in Australia - which reduced the waste. In Australia we have only our efforts at recycling, composting and other waste minimisation activities to reduce our waste to landfill, and I think we do commendably well.

I think given that we rely totally on landfill, we do very well at minimising waste and recycling waste, and in fact I would say that the landfill industry has not been any inhibition to that activity in Australia. I'd say that our kerbside recycling systems are as good as any other in the world in terms of recovering material. There are a lot of EU countries which have less than 200 kilograms per capital to landfill, but that is because they have a lot of incineration, which of course is a very big reducer of waste, just by the fact that it's burnt. So those are the countries that have much less than Australia because they have incineration. That's the first point: Australia is doing pretty well with this kind of situation in terms of recycling and waste minimisation, even with the landfill industry as it is.

The next slide is about the draft finding 2.2 and recommendation 13.1, which bemoans the lack of a reasonable database on waste in Australia. I just point out that there is a system called the Australian Waste Database that was set up in the early 90s, and I understand through talking to Nigel before the hearing that you're aware of this. This is a database that was developed at the University of New South Wales by one of my ex-colleagues, so I know a bit about it. It's a fairly sophisticated and useful instrument for dealing with waste data because it looks at the sources that generate the waste as well as the actual material composition.

This database has died through lack of support from state governments. It was maintained by the federal government for a while, and I think it might have gone to the CSIRO - the last time I heard - but it's not being kept up to date and isn't really being used. But it is a systemised approach which is capable of giving you consistent data. I'm pointing this out, but I understand you already understand about this database. Just as an aside, I think in the Waste Management Association there is some interest in reviving this database and possibly the Waste Management Association taking some role in maintaining it, because it's very much in our interests. We're very interested in that and we think that the collection of data on waste is an important issue. That's just a comment about the database.

Talking about draft finding 4.1 about the external costs of landfill, in my presentation before the draft report you asked me a specific question about what my

comments were on the external cost of landfill. I declined to make a comment, but since then and since writing this paper that I refer to in my submission, I have got some confidence to say that a figure of about $20 a tonne is probably a reasonable figure for the Australian situation in terms of the external cost of landfill. That was somewhat similar to your own conclusions from your research.

But I just wish to point out another instrument that's used in some jurisdictions called financial assurances, which is used to, if you like, impose an additional cost on landfill to take account of its external impacts. This is used in Victoria, and financial assurance is a bank guarantee or some other instrument that is produced by the landfill operator which will cover remedial action from a pollution event. It will cover the closure costs of the landfill if the operator goes out of business and walks away from the site. There are funds there to close the site and also to cover the post-closure costs for maintaining and monitoring the site until it's benign. So financial assurances add to the cost of the landfill operation and it's a way of bringing these external potential costs into the actual cost structure of landfills. I think it's a good way to go and I'd recommend that the commission consider financial assurances as a way of making sure the landfills charge the full cost of their operation.

Moving on to draft finding 4.3, in which you comment on alternative waste treatment, we agree that the benefits have been overstated by mainly inflating the disbenefits of landfill by saying the real cost of landfill is a very large figure, and our costs are a lot less than that. That has been commented on in the draft report. State governments, we believe, have found the black box solution an attractive option compared to committing some real money on enforcing their own regulations. If proponents come along and say, "We have a waste factory that will deal with all the waste and there will be nothing coming out the end of it, you don't need to worry about it any more," that seems a lot more attractive than the messy and sometimes costly business of regulating landfill.

Also, AWT performance has been shown not to always meet the rhetoric of the AWT industry. There's certainly a fair bit of evidence of that. Alternative waste treatment always produces residual waste which has to go to a landfill in any case, and in some cases, when they have problems with their processing, most of the waste ends up in the landfill. The landfill industry is not totally opposed to alternative waste treatment, and quite a number of landfill operators are considering introducing at some time in the future some form of alternative pre-disposal treatment at their sites in order to recover more recyclables or to pretreat the waste, but we don't think it's a complete substitute for landfilling.

Draft finding 5.1 was about waste minimisation. The landfill industry supports waste minimisation and, as I said with my first slide, the evidence of that is that we haven't been any inhibition to a very creditable recycling performance in Australia

when you compare our situation to that of other countries. It's willing to play its part in the recycling of waste and certainly does not just want to dump everything into a whole in the ground. That is definitely not our approach. But landfill avoidance, which is underpinning many government policies based on a claimed inherent adverse environmental outcome, we don't think is a tenable position when we have the best practice measures at landfills, as we've been discussed and as was discussed in the report.

On that point, just to show a little how the tone of the waste management policy setters has changed in the last few years, I quote something from the introduction of a Victorian government policy. It was the best practice environment guideline for landfills that was issued in 2001, and in the preamble to that it was stated that landfills will continue to underpin our waste management strategies. That was the basic principle that they were considering, and they wanted to improve the performance of the landfills by that new guideline.

But only a couple of years later, when the state government introduced the waste management policy for landfills, which is another document that the Victorian state government produced, the language changed to: "The policy reinforces that landfills are the least preferred waste management option," and, "Parts of the environment will continue to be sacrificed for landfilling purposes." This was in the draft document of that policy; quite a different change in tone. There seems to be a change in view in state governments that landfills have to be got rid of because they're inherently bad. I think your report supported the fact that they're not inherently bad, and we commend you for that conclusion.

You talk in draft finding 7.1 and recommendation 7.2 about targets for waste minimisation. We certainly support your view that targets should be based upstream, not just a target of minimising waste to landfill per se, and that these targets should take cost benefits and location into account because some waste minimisation efforts are not viable in remoter areas. But we think where materials can be economically recycled and waste producers need more encouragement - by that I mean they are perhaps not as diligent as they might be - setting of targets with some sanctions is appropriate. For example, the landfill industry sees no reason why any steel should ever by landfilled, because, number 1, it's very easy to get out of the waste stream with a magnet; and, number 2, it's eminently recyclable. In that case we see that having sanctions to encourage people to recycle steel more is certainly appropriate.

We would certainly support your comment or your conclusion that the target of zero waste is aspirational and distorts policy settings. We think a zero waste target is distorting the policy setting of state governments and is something that can never be achieved.

Just moving on to our favourite topic, the waste hierarchy, where we always

end up at the bottom, it is an oversimplification of resource efficiency, and I think the commission has seen that quite clearly. It is unfortunately now enshrined in some legislation, and it certainly is in the Victorian EPA Act. One of their preamble sections in the EPA Act deals with the waste management hierarchy. This is sometimes used by state governments in discussion with the landfill industry when they're possibly pointing out some different approaches they might like to take. They say, "There's always the waste hierarchy and we have to follow that," and it gives a very blinkered view of the waste management options. So we make a comment on that.

One of the things we disagree with in terms of your recommendations concerns landfill gas. The landfill industry has come to see landfill gas management as an integral part of best practice landfill, on a similar level to leachate management and other aspects of landfill management, and it's also a source of renewable energy for electricity generation. Just recently I was asked to give an estimate of how much was being generated in Australia, and 103 megawatts was the figure that was concluded from that. So it produces a significant amount of energy, and that is increasing all the time.

The control of landfill gas is important because it's not just for greenhouse gas but because it has an odour impact. It can cause an explosion hazard if the gas escapes into chambers or into buildings. It also has a significant impact on revegetation and it has a big greenhouse impact. Methane emissions from landfill are a significant greenhouse gas. So the landfill industry believes that it should be managing landfill gas as a priority and that is what is happening.

Also in that process there are new capping techniques being developed in Australia. There's research going on, I know, in New South Wales into how you can cap landfill sites to minimise the fugitive emissions of methane by oxidising the methane in the cover by using bacteria. It's an ongoing issue for landfills and we think it's very important and should be regulated, just like other things.

Draft finding 8.3 concerns compliance with regulations. We agree that compliance has been weak in some areas, especially with small rural landfills. A landfill is often seen as an essential service which it is difficult to close down. It's not like closing down a petrol station when there's another one around the corner. If you close down a landfill, it causes major disruption, and it may be the only waste disposal facility in that area, so there's some reluctance to take such a draconian measure and things have been let go, as you say.

But the performance of rural landfills is definitely improving and, although there are many landfills which in the totality of numbers would not meet best practice, I have to state again that our national landfill survey shows that 70 per cent of the landfill waste in Australia is disposed of in large urban and large regional

landfills which, if not at best practice, are certainly approaching that. So although there is a large number who do not, they don't handle a lot of the waste. The larger landfills are obviously better regulated and the smaller landfills are variable and need to improve. The state government EPAs need to go down that path and improve the landfills, and we support them in that.

Draft recommendation 9.1 is about levies. This is a very interesting finding from the commission. The landfill industries have been fairly relaxed about levies because they are revenue neutral on our operations. The levy is passed directly on to our customers and that is accepted by the customers. There's no discounting of levies. But on reading your report we were struck with the fact that you've identified it as a tax, as basically a tax to fund state government activities that should be funded from their general revenue. If they want to do something about waste minimisation, they should put the money into it. They've used levies as a convenient way to beat their chests and say they're doing all this stuff for the environment, but they're not actually paying anything.

They do help promotion of recycling at landfills because of the rebate system, where if you recycle a material at a landfill you can get a rebate on the levy, and that in a way indirectly supports the recycling activity. But even there I know some landfills have gone considerably down the track of recycling, putting in special plant and machinery and investing a lot of money, and then they end up with an argument with the state government about the amount of the rebate, because they're talking about hundreds of thousands of dollars, not just a few tens of thousands.

In Victoria anyway, the rebates are paid on an annual basis and the levy is paid on a quarterly basis. The landfill industry in Melbourne has been complaining to the state government for at least two years, maybe longer, about the fact their rebates are annual and their levies are quarterly, and we just get the comment, "We'd have to change the EPA Act to do that and that's too difficult." As soon as they think of something, the EPA Act is changed in five minutes, but if we suggest something it's too difficult, and that just goes on and on. You'd think if the government wanted to promote recycling they'd be giving the rebates quarterly to encourage people to do it.

But there are some levies which actually have an adverse environmental outcome. The one I'd point out is the levy on asbestos. The levy on asbestos in Victoria at the minute is $26 a tonne. There's only one place you can put asbestos when it comes out of a building, and that's in a landfill. You can't recycle it, you can't use it for anything else. It is a hazardous material that has to be handled properly and has to be buried properly in the landfill. What is the justification for charging $26 a tonne on asbestos? The only effect it would have would be to encourage unscrupulous operators to dump it somewhere else rather than in a landfill, but if we put that to state government I can assure you they would take absolutely no notice of us.

Using levies to promote better management of landfills will have a positive environmental outcome. If you have levies that differentiate between best practice and poor practice, that will help to divert more waste to the better practice landfills and encourage the poor practice landfills to improve. We are pleased to find that you have found that levies are a tax, and the landfill industry may take a slightly different view about these levies in the future.

Draft recommendation 12.2 is about your fairly harsh criticism of local government. Local government is part of the landfill industry, and we see them managing urban landfills in a regional context already. There are numerous examples of local governments combining together in groups to manage an urban landfill, and I just quote three of them. There's NAWMA in Adelaide, which I think is the North Adelaide Waste Management Association; the ERMC in Perth, which is the Eastern Region Metropolitan Council; and there's a landfill in Perth at a place called Copping which is a joint operation between three or four councils in Tasmania. These landfills are, I would say, best practice landfills. They certainly follow all the approaches that we've put forward as a best practice landfill. They're all managed successfully by local government.

There has been in the past some propensity for local government to use landfills as a cash cow, where they take the money but don't actually spend it on the landfill, but that is becoming rarer, I'd say. It's not as common now as it used to be, and local government is taking a responsible attitude to landfilling. But the standards and regulations must be enforced to the same extent as they for private landfills.

Moving to state government policy, just a general comment: regulation of policy for waste management lies with the states. We'd have to say in the national landfill division we have a telecon amongst the different states every month and we talk about recent changes in regulations in each state, and we come to the general conclusion that recent changes will have the consequence, intended or otherwise, of making it difficult or impossible to site and license new landfills. The particular landfill that I work at, at Wollert, the Hanson Landfill Services, which I talked about in my last submission, is, I'd have to say, one of the best operated landfills in Australia, and it would not get a permit if it had to meet the current regulatory situation in Victoria, for various reasons.

The EPA has exempted us from the new regulations because they don't want the landfill to shut. It would be a bit of a problem if our landfill closed down, but it would be very difficult to open a new landfill in Victoria in a basalt quarry because of the hydrogeology of basalt quarries and because of the new regulations. The situation is the same in other states. The ultimate consequence of that will be that, when the current generation of landfills close and new landfills need to be opened, they will find it extremely difficult to get a permit because of various regulatory

changes that have gone in, and this applies all over Australia. So, although there's plenty of air space currently, as you identified in your report, and that will probably go on for the next 10 to 20 years, after that it's going to be a different thing.

There's been a policy shift to switch from landfill for residual waste to alternative waste treatment. As I just mentioned earlier, quoting the different examples from government waste management policy documents, you can see the change in tone. There seems to be a shift against landfills. Whereas in the past the policy approach was to improve landfills, to produce better regulations, better standards, better monitoring, better lining, it's shifted to, "We don't want them at all."

The last slide is, "Where to from here?" The Productivity Commission draft report, we'd have to say, is a breath of fresh air for the landfill industry - maybe not the most appropriate turn of phrase - and it questions the cost benefit of the current rush to zero waste. The landfill industry supports the findings of the draft report and hopes that the federal government will encourage the states to re-examine its policy directions.

I would like to finish with a question to you, Mr Weickhardt. What happens to the report when you finalise it? What impact is it going to have, where will it go or what policy changes might come out of it? I leave that question open for you. Thank you very much.

MR WEICKHARDT: Thank you. I think our terms of reference poses easier questions than the last one you've just posed us. I'm afraid I'm not Nostradamus and I can't tell you exactly where it will go and what will happen to it. I hope that it has some impact on policy-makers in the federal and state arenas, but it's out of our hands once we present it to government. We will do our best job to try to make it as accessible and useful as we can, and we sincerely hope not many copies of it are landfilled or sent to an AWT but that they're used and referred to.

MR BATEMAN: Thank you very much for that, Mr Weickhardt. Just a last comment: I'd just like to reiterate that personally I was very impressed with the report. I'm very impressed with how quickly it was brought together and how accurately it reflected the waste industry, and the same goes for all my colleagues in the landfill industry and I think in the wider waste management industry too, though they obviously feel a little in disagreement with some of your conclusions. I think we have to congratulate the commission on doing an excellent job. If this report had been available 10 years ago, things might have been different.

MR WEICKHARDT: Thank you for that input. Our work in the commission is really made possible by the input of lots of people who generously give time, such as yourself, to inform us as to what's really happening. The errors and omissions are ours, but the input we get is very, very useful. I should say, and we've said it in our

report, although some in the industry have characterised our report as being pro-landfill, we've tried, and we will continue to try to be absolutely objective and neutral about any particular form of waste management approach. We're here to try to examine what's good for the community overall, and if it so happens that landfill isn't as bad as some people think - and that was the view we reached in the draft report - so be it. But we're not here to advocate or spruik for any particular sector of the industry.

I'd like to take you back to the last comments you were making about the recent regulatory changes that you say will make it very difficult, if not impossible, to site new landfills. You referred to something to do with an impact which relates, in Victoria at least, to geology and siting landfills in basalt or old basalt quarries. Can you outline what some of these recent regulatory changes are and what their thrust is, and whether or not, albeit at a cost, the landfill industry could meet those requirements, even if they had to change current practice.

MR BATEMAN: The particular regulation that I had in mind was in the new waste management policy for landfills which is being implemented by the Victorian state government. In that, there's a requirement that the waste must be two metres above any aquifer in the ground, any groundwater body in the ground. In the Melbourne geology of basalt quarries - most of them are in the northern part of Melbourne - there are usually several basalt flows, and the upper basalt flow is obviously the one that is being mined for basalt because it's closest to the surface. It is a fractured rock basalt mass and there is groundwater in it. There is a groundwater aquifer by any definition in that upper basalt flow.

That groundwater aquifer may typically hit 10 metres below the ground, something like that, and the quarries remove rock from below that level. They go down maybe 20 metres or something like that. So you end up in the result with the base of the quarry being maybe 10 or 15 metres below this notional level of the aquifer and you have to somehow get to be two metres above it. That means filling the quarry back in with a massive amount of material, which just isn't viable. You'd have to fill the quarry before you could fill the quarry.

This was pointed out to the EPA during the consultation process on the draft. We're saying, "In effect this new policy that you are proposing will make it impossible to have a landfill in a basalt quarry in Victoria." They sort of privately acknowledge, "Yes, that's right. That's what will happen." In effect, there is a way around that, which is that if you have an environmental auditor under the act, which is a particularly designated person appointed by the EPA, and if they can state that there's no possible chance of harm or detriment to the groundwater if you do go below the groundwater and produce scientific evidence as to why that would be the case, the EPA would accept that as an exception.

But the EPA environmental auditors' determinations are legally binding on them personally, and if they're found to have made a misleading statement, they're liable to I think even gaol sentences, quite big sanctions. So they're obviously very reluctant to do something as dramatic as make a statement like that, and we don't believe anybody actually would. So in effect our site at Wollert would not be able to function, because we would have to fill 12 metres of soil or inert material on the bottom and then build on top of that.

So that regulation will mean that there will never be another basalt quarry landfill in the northern part of Melbourne, because once our site finishes or closes for whatever reason, the regulations are such that any objector to the landfill - and local people object to landfills; it's quite natural - will point to this part of the policy and say, "Look, you've got to be two metres above the groundwater." We'll say, "We can't. It's not economically viable to do such a thing."

That may be an unintended consequence. This was pointed out quite strenuously to the EPA during the process of setting this regulation, and I even personally had a discussion with the chairman of the EPA about this and pointed out that this would be the consequence of the policy. They took no notice, except that - they did take some notice - in some regions of the south-western part of Victoria where there are limestone aquifers, where there was currently quite an issue with groundwater and landfills and a lot of political heat was put on the EPA from the local government politicians in those areas, they had a slight change and excluded some regions of Victoria from rigid application of this policy, because they would have had to shut their landfills almost straightaway.

It seemed to me that the EPA was in fact allowing our landfill, and some other landfills of a similar kind, to continue for the next few years, but it was setting in place policy that would, either intentionally or unintentionally, prevent any further licensing of landfills, because they had a goal or view that they wanted to eliminate landfills. That's basically what I'm getting at.

Similar sorts of situations exist in other states. There might be a different approach. They may have some groundwater policy under which they say, "You cannot do this in a groundwater body," and that would have the consequence of making it very difficult to license a new landfill. So that's a more detailed explanation.

MR WEICKHARDT: Thank you for that explanation. I guess I can understand the EPA and the state governments wanting to ensure that policies absolutely minimise risks of groundwater contamination by leachate, and technically whether or not what you're suggesting is over the top or overly cautious I'm not in a position to understand, of course. But I'm assuming from what you've said that, at a cost - you said the cost might be prohibitive, but at a cost - there could be some sort of

compliance with this. Presumably an old quarry could initially be used for inert building materials and then later on used for putrescible waste, or even a non-quarry. I think when you were last here you showed us photographs of a flat site that was being used with individual cells being built in the flat site for landfill.

MR BATEMAN: The photograph I showed you was of our quarry. It might have looked like a flat site, but it was very big and it was 20 metres deep. In appearance it did look like it was a flat site, but actually it was in a quarry.

MR WEICKHARDT: Right.

MR BATEMAN: I take your point that you might be able to fill with inert waste. That has been done before, in the 90s, in Victoria, but inert waste is not a very stable platform to build a liner on. Inert is not necessarily totally inert. It still decomposes slowly and it settles, and you can't compact any waste to an engineering platform. It has variations, it has all sorts of bits and pieces in it. It's not an engineering material. So trying to fill with inert waste and then build a platform on top of that and put a liner on it would be very risky, because there could be settlement that could rupture the liner.

In fact, on our site we have to spend a considerable amount of money on making sure that the small amount of filling that we currently do to meet our current regulations - we have to fill maybe one or two metres at the base of the quarry - costs a lot of money. We have to compact it in layers and we have to use a lot of machinery. The last cell that we built at Wollert cost us $3.5 million, and we spent $1 million just filling the bottom, before we even built any of the liner. That's a few metres deep. Can you imagine the cost of making it 12 or 15 metres deep, and will you have enough material to do that? As I said, you can't dump any old material in there. It's got to be engineered, it's got to be stable, otherwise the liner is very susceptible to rupture.

We'd say it's much better to be on the bottom with a stable base and put a stable liner in, and then that will protect the groundwater. In fact, looking through your investigations into the external cost of landfill and the example that I gave in my submission, it's generally accepted if you use a proper composite liner and leachate management techniques, the risk for groundwater is very small - very small indeed - because of the integrity of the lining. So being below the groundwater level in the right circumstances is not necessarily a risk to the groundwater.

MR WEICKHARDT: Just addressing that issue, without understanding the practicality of it, I guess if there's still a demand for product that has to go to landfill, at some stage people will have to find methods of complying with these regulations or the regulations will have to change. But is it technically possible that, for example, you could have much higher integrity liners than are used at the moment

that might give an EPA auditor the confidence to certify that these risks have been lowered? Maybe this is absurd, but could you put a full concrete liner there, followed by membranes and then clay?

MR BATEMAN: Yes. You can in fact make linings out of asphalt, where you put a very thick layer of asphalt on the base, like road. But the problem is that the environmental auditor has to certify something that really he doesn't have a lot of control over. He may say, "This design will satisfy the requirements," but he doesn't know whether the design is going to be built to that standard. He doesn't know if there's going to be something that he didn't anticipate on the site. It's really looking at a crystal ball about something he doesn't have any control over. I can't imagine any auditor, except with a heavy amount of qualification, actually saying that. Really it's the purpose of the EPA to regulate the landfill operator to make sure that that doesn't occur. That's the right approach, rather than have a person say, "If they do all this here it will be okay, but I don't know whether it's going to be done, and in 10 years from now whether that's actually going to be carried out." That was the response that we got from the EPA when we pointed to the site. It said, "You can always get an auditor to certify." We said, "I don't think anybody will," but I may be wrong. Maybe they will.

MR WEICKHARDT: Civil engineers certify building designs and that bridges won't fall down, and they have personal liability issues around that, and exactly the same issues, I guess, of whether or not they're built to design apply there, so I assume that where there's a will there's a way. But technically speaking, are any of those approaches adopted elsewhere around with world, with much higher integrity liners to address this issue?

MR BATEMAN: The next step forward in the lining technology, if you like, is to have a doubled composite liner. That's where you have two liners, and in between you have a layer which you monitor for leaks. So you have the liner, a leak detection layer and then another liner underneath, and if there's a leak you know that it's occurred because you pick it up in the leak detection layer. So that's another stage that is used in more hazardous waste landfills. In fact, it's used in Victoria in hazardous waste landfills. They have a doubled composite liner. That is a very belt and braces approach. So there is that sort of technique to have a higher integrity liner.

But in terms of the aquifer that I'm talking about in these basalt quarries, the upper aquifer is fairly inactive. It is an aquifer. There is a water level in it. If you drill a hole in it and put a pipe in it, you'll get water sitting in it, but it doesn't move around very much. So whether the impact on that aquifer will be very great is doubtful, but the fact that you have a regulation that states unequivocally you have to be two metres above that aquifer is something that any objector to landfill would latch on to and use to try to stop the licensing of the landfill.

MR WEICKHARDT: I hear that and I don't have an answer for that immediately, but thank you for your comments. Can I come back to the issue of compliance. It was put to us anecdotally during the first round of hearings that quite a few landfills do not comply either with their licence or certainly not with best practice. You've said that 70 per cent of waste by volume or weight is going to larger landfills which are in better shape, but we had the Waste Management Association in Sydney come along and say that they were starting to do an audit of landfills and that they accepted that compliance wasn't as good as it could be or should be with best practice criteria. Of course, best practice criteria in some cases may be ahead of the licence condition, but does your national landfill division have a desire, indeed a code of practice, to try to lift standards in this area, to name and shame people that don't comply with your internal codes, to try to address some of the issues of community concern which eventually, I guess, drive regulators and drive communities and politicians to react with a lot of concern about landfills?

MR BATEMAN: The national division does not have a code of practice on landfill. The Waste Management Association started to prepare a code of practice some time ago, before the national landfill division was established. This was finished, but it turned out ultimately to be a not very useful document, because in every state there are regulations which in effect would meet the same code of practice, and it is felt that there's not much point in writing another code of practice that either duplicates or only slightly changes what is already in the state legislation. What the national landfill division is trying to do is to encourage everybody to meet those regulations and the EPAs to enforce them.

MR WEICKHARDT: You mentioned the fact that the EPAs have perhaps been reluctant to do that because closure of landfills might cause some sort of discomfort to the local community, but do you support the fact that, regardless of where it is, Australians have a right to expect that the EPA does enforce the licence conditions of a landfill?

MR BATEMAN: Yes, we support that, and I don't say that the EPA is reluctant to try to enforce the regulations. I'm not saying that it's not doing that; I'm saying that the ultimate sanction, if it doesn't get a response, is to close the site, and it's not an easy thing to do. To close a site would cause a lot of ramifications.

MR WEICKHARDT: So would not issuing any permits for new landfills.

MR BATEMAN: Yes. So the national landfill division is always encouraging the EPAs to enforce the regulations. Maybe a lack of resources could be another issue - to be able to get to every site, to follow up every issue that is not necessarily being done - but it's gradually changing. In my submission I said that most state regulations for landfills do reflect best practice now in Australia, and the landfill

industry supports that and we're following that. But there are quite a number of small sites which still don't meet them, either because they were established a long time ago and they weren't able to be modified to meet these regulations or for whatever reason.

MR WEICKHARDT: Okay. You attached an interesting paper to your submission that quoted some overseas studies and looked at externalities associated with landfills, which we have looked at with considerable interest. You'll have noted in our report we tried to look at this to the best of our ability, and we had assessed that, if you put greenhouse gas emissions to one side, a best practice landfill in Australia was likely to have external costs that were as low as $5 a tonne.

We sourced a New South Wales EPA study of external costs of landfill, and particularly looking at impacts on property values. You have quoted the European Commission's study which values disamenity effects at around $16 a tonne of waste, and when we follow up the source of that, this appears to have been drawn from a study of house prices in northern Italy. The authors have apparently made a number of assumptions about that area, including the population around the landfill being 25 square metres per person and the population being uniformly dispersed, and they also made some assumptions about house prices and the capacity of the landfill.

We don't think that all those criteria are applicable to best practice landfill in Australia, and therefore believe that that estimate of $16 a tonne is too high for a best practice landfill in Australia. The Dutch study that you quote, to the best of our ability or our staff's ability to read that article, appears to have used a method of assessing a disamenity cost which we don't believe is related to externalities at all. It has looked at the alternative value of the land for housing, and if land to be used for a landfill had an alternative value as housing, that would be reflected in the original purchase cost of the landfill by the landfill operator, but it's not an externality or an amenity cost.

We would welcome further input on this, but unless you have some other advice that contradicts those analyses, we still feel that, putting greenhouse gas to one side, the $5 a tonne upper limit of externalities for an Australian context best practice landfill is still pretty relevant.

MR BATEMAN: I've no disagreement with that. This particular paper was looking at Europe and what is done there, and I wasn't aware of the sources that you used for your report, so this was quoted in the context of looking at Europe and how that might translate to Australia. So I don't disagree with your conclusions. Obviously Europe is a lot more densely populated than Australia and the pressure on land is quite different, so there are differences that should be taken into account.

I think in one of these papers I recall that there was a reference to an American

study into disamenity costs of landfills as well, which might be a bit more relevant to Australia, but I don't disagree with your conclusion. This is just an example I gave because you did ask me the question and I came across this.

MR WEICKHARDT: Thank you for that. We'll follow up that American - - -

MR BATEMAN: It was quoted I think in the Dutch paper, but there was a reference to some studies done in America on disamenity costs of landfills based on house prices, I suppose.

MR WEICKHARDT: You also talked about financial assurances to cover closure costs and post-closure costs, and I think you were a supporter of those financial assurances.

MR BATEMAN: Yes.

MR WEICKHARDT: Can you help me understand how the quantum of those financial assurances is being assessed and whether or not they bear any relationship to the sort of externality costs of the landfill, whether the same factors are being looked at and whether the methodology is at all relevant?

MR BATEMAN: The financial assurances are not based on the external costs as you have discussed them in terms of emissions and things like that. They're basically based on, as I said, a remediation component which is subject to a risk analysis. There's a risk analysis done on the particular site that the landfill is located in, its lining systems, its management, and a risk assessment is made of the risk of some significant pollution event happening here and the cost of remediating it. It's all fairly hazy, the way this is done, but there's some attempt made to follow that logical progress and the amount is calculated that way.

MR WEICKHARDT: If there is any sort of typical quantum or range, can you - - -

MR BATEMAN: There is a guideline published by the EPA in Victoria that goes through the process involved in calculating the financial assurance and it's on the EPA web site. I can't remember the reference number, but they have developed this guideline in a quite significant way. I can't remember the details right now, but there are ways of calculating it in there. I think they take a fairly broad-brush approach where they look at the type of waste in the landfill and the type of landfill and give a broad figure that you should allow.

MR WEICKHARDT: Can you give us any typical sorts of numbers of these assurances?

MR BATEMAN: I couldn't, not at this minute.

MR WEICKHARDT: Okay. These have to be put up as bonds, do they, by the operators?

MR BATEMAN: They have to be put up as some of guarantee. I know that they've been put up as bank guarantees and they have been put up as company guarantees, and the guarantee is in such a way that the EPA has access to those funds virtually under no constraint. If they believe a pollution incident has occurred and that nothing has been done about it and remediation is required, they have access to these funds.

The other component of it, as I said, is the closure component. There is a calculation done on the cost of closing the landfill, the cost of capping it, revegetating it, that sort of process, in the event that the operator becomes bankrupt or insolvent, so the site isn't left partly finished. That is calculated on a certain area that's uncapped and the cost of capping that area, and then there's a post-closure cost, for instance, if the site is closed and capped. But when the company operating it goes out of business, disappears or whatever, there are ongoing costs to maintain the site.

So there are those three components. Remedial, closure and post-closure are the three components, and in its guideline the EPA has examples of how it may be calculated. It is some millions of dollars for a typical size site. There's currently a group of landfills in Victoria - smaller landfills, I have to say - which are going through a process of arbitration and appeal and are going to VCAT quite soon, I think, to finalise what this quantity will be. They've been trying to set up their own internal levy fund or insurance fund that they can pay into so that every site doesn't have to pay this full cost because, if you think about it, if you have six or seven sites, the chances of them all having to remediate at once is pretty small. One site may have to do it and then maybe five or 10 years later another site might have to do it, so they're trying to set up an insurance fund internal levy approach to do that. That's currently being discussed at VCAT, or about to be.

As to larger companies like the one I work for, we have set up a company bond. The headquarters back in London have said that they will provide this guarantee from their own internal funds, not a bank guarantee, and other companies have a bank guarantee. There are various different approaches.

MR WEICKHARDT: Are you aware of any situations in Victoria, or indeed in Australia, where these bonds or guarantees have been called on by the EPA because of some sort of remediation issue?

MR BATEMAN: No, I'm not aware of it, but they are still a work in progress in Victoria.

MR WEICKHARDT: Is Victoria the only state that requires these?

MR BATEMAN: I'm not sure, sorry. I can't answer that one, but what I'm seeing is that the industry supports this sort of approach. For one, it means that you need to have sufficient resources when you run a landfill to actually be able to back it up. It sort of prevents, if you like, fly by nighters from trying to operate landfills, because they have to have significant resources to have these bonds. We think that's better for the industry.

I'd have to add that local government in Victoria have set up their own internal process for paying a levy into a fund, or they're certainly discussing this, through the LGA, Local Government Association. They've set up some sort of internal levy system where all local governments can pay into that and they'll be backed by the fund. So they're involved as well.

MR WEICKHARDT: Thank you. You said in some circumstances targets with sanctions might be appropriate, and you instanced the case of a landfill operator landfilling steel which was unnecessary. Why isn't there a motivation on that landfill operator to set that steel to one side and say, "Goodness gracious me, that's got a resource value. I can sell it to some recycler"? Why do you need a government target or regulation around that?

MR BATEMAN: There is an incentive and it is done for that very reason, but it's not done to the full extent that it could be, just because people aren't interested or motivated. Regulation is a wonderful way of focusing your mind on something, and certainly the company I work for - and I think this must apply to all commercial businesses - if there's a regulation and a law behind it, take notice of it.

MR WEICKHARDT: That's probably true. Regulation didn't motivate Bill Gates to get rich.

MR BATEMAN: No, but if you want to recover a material which is eminently recoverable - for example, with steel there are some sites which do a remarkable job of recovering steel, even down to the fact that they pick the nails up in the waste. There are some apocryphal stories about passing a magnet over the waste and nails shoot out of the waste into the magnet like magic. At other sites they just couldn't be bothered doing that. That's an example where it is certainly financially viable for one site to do it because they put the effort into it.

What I'm saying is that a little bit of regulatory prodding may increase effort and also increase the benefit for the companies. They will make a profit out of it. But they don't always do the things that are necessarily going to make them money because they have a lot of other things to do as well, sort of like resource constraint.

MR WEICKHARDT: I guess I'd prefer that the governments and the EPAs enforce the existing regulations rather than introducing ones that perhaps private operators have motivations to attend to themselves, but I understand the point you're making.

You talked about landfill gas management, and your points are helpful. We will reread them and make sure that we're as clear as we can be in what we say about that. Others have made similar points to the ones you've made, that there are other motivations for landfill gas management. The point we were simply making was that piecemeal attacks on greenhouse gas abatement are not going to give the lowest form of abatement to the Australian society, that some national policy is a preferable way to tackle that specific issue. It may well be that the greenhouse gas abatement that's going on through landfill gas management is a very economic and sensible way of tackling that sort of greenhouse gas, but it was a point as to where the policy lever is applied in that area. So we'll look at trying to clarify that.

You also mentioned what you described as harsh criticism of local government. We weren't attempting to criticise local government, but we were prompted to make a finding in this area by input from quite a few people in the waste management industry who had referred to difficulties in dealing with local government, not necessarily because of lack of desire to do the right thing but because of some structural factors that inhibit their ability to operate in the way that some of the waste management industry would like, for example, AWT operators saying, if they were talking about a potential AWT, that no one individual council in New South Wales or Victoria - Brisbane might be an exception here - had enough volume to justify constructing an expensive AWT and therefore you had to start looking at regional groupings. Although I understand in Melbourne there are now some proposals that might well address the concerns we were motivated by, in New South Wales it appears there's still a very fragmented situation and considerable frustration on the part of some in the industry about how to deal with a multiplicity of councils who want the ability to opt in or opt out of agreements and won't guarantee long-term contracts with a provider of something like an AWT facility.

In addition, it did appear that there were genuine planning difficulties associated with the waste industry about where waste management facilities would be sited. So we're really trying to get at how those issues might be addressed. I don't know whether that makes sense to you.

MR BATEMAN: Yes. The landfill industry faces exactly the same things. To open a landfill you need to have a bit of a base flow of materials, not as much as an AWT possibly, and operators have quite successfully worked with groups of councils. In our own case, we have a group of six councils who come to our site, and we have a 10-year contract with those six councils. It's a fairly complicated business

because some of them come in at different times, some of them operate their own sites and they will be closing, and so on and so on, but the contract was set up to suit their particular circumstances. Regional grouping of councils for waste disposal has been going on in Melbourne since the 1970s. It's nothing new.

Landfills are looking for shorter-term commitments, five, 10 years, something like that - something that's within the vision of the council. AWT is looking for 25 years or considerable periods, in fact contracts with different clauses and exclusions - you can't change this and you can't change that - and various complicated processes, and local government are naturally nervous about making that commitment. It's not just an issue of getting sufficient councils together; it's the long-term nature of making a commitment to one particular process when in 25 years things will have changed tremendously.

One of the advantages of landfills is that say, for instance, some new technique came in that would treat waste in a different way, the landfill industry could close down. We could shut our sites, we could cut them off, and we wouldn't have a business any more, but we wouldn't be financially ruined by that process. We pay as we go; we don't have enormous capital costs that have to be amortised over 25 years. But the AWT industry is wanting to have these long-term contracts, and even wanting to have financial commitments to their particular process. These are processes that are not necessarily 100 per cent proven. They don't know exactly how they're going to work out.

If the nature of the waste changes, the process may not work any more, and the constant complaint from the AWT industry is that we can't get big enough contracts and we can't get councils corralled into big enough groups to provide us this contract. I'm not surprised. A responsible council would be very concerned about making that commitment, and that is a problem. Where AWTs have been committed to in other companies, there has been a bureaucratic larger control of the waste. It's not actually in council's hands, it's under control of organisation a bit like Waste Services in New South Wales or something like that. They're a larger semi-government organisation and they have committed to certain fundings. For instance, incinerators are exactly the same. Incinerators are very expensive, and communities have banded together and gone for those sorts of processes, but that's a comment on it.

MR WEICKHARDT: Just going back to the landfill gas issue for a moment, I'm sorry but I didn't address a couple of issues that I wanted to. Are you suggesting that there should be mandatory installation of landfill gas capture at all landfills that accept putrescible waste, regardless of size?

MR BATEMAN: I think the size issue is important because there are certain very small landfills where the amount of gas is very small and there isn't enough gas to use for anything, and it would be difficult to collect it. But over a certain size - and

this is in the regulations of Victoria - under our licences we have to introduce gas capture.

MR WEICKHARDT: What would the typical cost be for a landfill of the sort of size you operate?

MR BATEMAN: It's hard for us to say because we've done it on a royalty basis with a landfill development company. There are number of companies in Australia - three or four, I think - which will install all the infrastructure for an electricity generating project, build everything, build the power station, but sell the power and pay a royalty or something to you. That's what's happening in our case, so it's a bit hard to say what that actually costs them, but obviously they're making a profit out of it, and this is very common. This is the most common way of introducing electricity generation from landfill gas: a company which is competent in that area will come to your site, put in the wells, the pipes, the generators, sell the electricity into a very complicated electricity market - as you can imagine, it's very complicated these days and they need to be expert at that - and then they make an assessment and they pay you a royalty. That's what we're doing.

MR WEICKHARDT: Given those motivations and the other ancillary benefits that you refer to of odour and stuff like that, is there a necessity for regulation here? Is there enough private motivation to have people do it?

MR BATEMAN: The electricity generating process of using landfill gases is - how can I describe it - like the end of the process. The waste has been dumped, it's been established. It's built up maybe a million tonnes or some significant amount of waste, it's been capped, and then you put in the gas infrastructure and it's an economically viable project. Prior to that stage there's still a lot of gas being emitted, but because the cell is still filling, because of practical processes, it's not easy for somebody to make the investment in an electricity generator when they know there will be interruptions and all these sorts of things happening while you're filling the cell. So that part of the gas is not generally captured, and that is where regulation, we believe, should encourage more effort put into collecting that amount of gas, because there's odour coming from the gas, there's just as much hazard. It doesn't effect revegetation because you haven't revegetated, and there is the greenhouse impact as well. So there are certain stages in the landfill process where it might be incumbent on the operator to pay for some infrastructure. Later on it becomes a self-financing process.

MR WEICKHARDT: Okay. Thank you very much indeed. You've been very generous with your time. Thank you for your submission and for your comments.

MR BATEMAN: Thank you.

MR WEICKHARDT: Our next participant is Sustaining Living Tasmania. Margaret, I'll just get you to introduce yourself and state the capacity in which you're appearing, please.

MS STEADMAN: My name is Margaret Steadman and I'm the executive officer of Sustainable Living Tasmania. The corporation name is the Tasmanian Environment Centre and Sustainable Living Tasmania is our trading name.

MR WEICKHARDT: Thank you very much indeed. I've received the submission and thank you for that. You should assume that I have read that, but if you would like to make some introductory comments please do so. It would be useful perhaps as a bit of background to describe what Sustainable Living Tasmania does and its range of activities.

MS STEADMAN: We're a community education and resource centre. It's been in existence for 30 years as the Tasmania Environment Centre. In the last few years we have adopted a focus that responds to the need for helping people to make lifestyle choices that reduces their impact on the environment, and as a consequence we run the Tasmanian Environmental Home Expo every year. We've done that for eight years. We provide information on environmentally friendly grouping, household management, gardens, transport and the sorts of urban lifestyle issues that relate to reducing environmental impact.

We do workshops, run a resource centre, provide a referral centre, produce pamphlets that provide up-to-date Tasmanian information on these sorts of issues, and work with government departments and local government where it's useful. We manage a web site called the Environment Challenge which encourages people to sign on to particular householder actions, which actually includes reducing waste generated by households. It's very much an urban environmental focus that our organisation has, and a community education and behaviour change focus.

MR WEICKHARDT: Thank you very much indeed. You might like to now focus your comments on the input to this inquiry.

MS STEADMAN: Yes. We welcome the opportunity to add to our submission, and we also had some questions we wanted to ask. We want to expand a little on what we said, but also address some questions. One of my first questions was: who are the members of the commission? We couldn't find it in the document.

MR WEICKHARDT: The Productivity Commission has a web site which will show you who all the commissioners are. It's a body that's I guess part of the federal government - to give policy advice to the federal government - and there are six commissioners. I'm one of them. I'm presiding on this particular commission.

MS STEADMAN: We'll check the web site in that case, but it wasn't in the actual document.

MR WEICKHARDT: Okay. I think you'll find the full biographical detail and background of all the commissioners and lot of other information about the Productivity Commission on the web site.

MS STEADMAN: Thank you. We were interested to ask the commission how you arrived at the focus, and particularly what we saw as a fairly narrow focus, given the scope of the inquiry in the terms of reference, which talked about the whole product life cycle, to prevent the generation of waste rather than just minimise it. We were wondering whether you feel you've met the full scope of the inquiry or whether you made a decision to focus particularly on the end of the life cycle.

MR WEICKHARDT: Let me address that question and also a comment that you make in your submission where you wonder whether or not the Productivity Commission is the right body to be undertaking the project, "concerned as they are with microeconomic policy", and whether the inquiry "should be handed to be a body with a mandate to look at wider environmental and social issues". The mandate, and indeed the act of government under which the Productivity Commission operates, require us to look at environmental and social issues just as much as financial and economic issues. Indeed, we do our utmost to do that, and we certainly have done and will continue to be focused very much on those issues in this inquiry.

What we have done in this inquiry, however, is to say, as indeed I think you endorse in your submission, that some aspects of, for example, recycling which are applauded by some in the community are very desirable and can be supported by any analysis of their impact on the environment and on society generally financially, but, like all good things, you can push things too far, and if you consume more resources in the process of recycling than you recover, then you're actually doing a disservice to the community.

MS STEADMAN: We couldn't disagree with that, but I think one of our main points was that your report focuses very much on the recycling end of the deal and not at all on the earlier parts of the life cycle of a product. I refer to the actual reducing of waste, rather than focusing completely on recycling, which it seems very much to do.

MR WEICKHARDT: Perhaps we haven't expressed that as well as we could have, because you're in good company. A number of other people have also said that we have ignored those aspects. What we have tried to do is to indicate that for policy-makers, it is important that they first of all identify what the issue is they're trying to address and to generally address those issues as close as possible to the point of the problem concerned. We therefore had great difficulty with the

recommendations that some were making to us at the point of the initial hearings that policy-makers in the waste area should be taking action with waste policy to address issues of concern that were further upstream. If there are concerns around the issues to do with resource extraction or manufacturing, processing, transport of product, then those issues ought to be addressed, and indeed I think - - -

MS STEADMAN: It just seemed to us actually that the scope of the inquiry allowed you to look at that, an assessment of opportunities throughout the product life cycle to prevent or minimise waste.

MR WEICKHARDT: What we've said if that those issues are all addressed throughout the product life cycle and if the full costs including the externalities, including the environmental costs and the social costs, are addressed all the way through the product chain, then the level of recycling that takes place as revealed by the operation of the marketplace will reach an optimum level. What we have some trouble with is people deeming to know and understand what's good for the community and suggesting that more recycling will be good for you when there is not evidence to support that.

So what we're trying to do is not ignore any environmental issues or social issues and we're certainly not wanting to ignore issues that relate to upstream or downstream impacts. What we're saying however is governments, before they act, ought to be motivated by looking at whether or not they're doing so in the interests of the whole community. Unfortunately there are some activities that have taken place in the waste management area that have been done, no doubt, by well-meaning policy-makers but which we don't think, after you look at them with sort of a close and robust examination, actually stack up.

MS STEADMAN: We completely agree that the environmental benefits of recycling need to be clearly established and that where it costs more to recycle than not to recycle in environmental terms, then that's a complete no-brainer. But the whole report does seem to have a tone that suggests that the issue is not crucially important, that there are not really important and real limits to the physical resources of the planet.

We felt really disappointed by the general tone of the report that economics drives everything, when our view would be that in fact the economy is a subset of the environment, not the other way around. So it was a disappointing document in the sense that it does not give any direction for the sort of systematic changes that we need to make in the whole resource extraction and manufacturing and use and consumer choice as well as the waste generation issue. It's a bit of a demoralising document, I guess, from the point of view of people working to reduce environmental impacts and to produce change in the way people are actually operating.

MR WEICKHARDT: I hear your input and certainly others have made the same point to us. I certainly don't want to try and diminish the concern that you and others hold for the issues as to whether or not we're living in a sustainable manner. The problem we do have however is that governments in particular have got to be very careful that they do not exercise some central planning type of mandate in the interests of trying to promote sustainability. There are many examples where some of those well-meaning policies have actually had quite perverse outcomes. Although it might be imperfect, the sorts of signals that the marketplace gives around the scarcity of resources is probably, in our view, as good a proxy as any for the future sustainability of the rate at which those resources are being used.

MS STEADMAN: I disagree really strongly with that view, given that the market responds really slowly to major issues. There are some really striking problems that are looming that the market will be really slow to respond to and that forward-looking policy direction is really important. There are lots of ways in which the government already provides subsidies for different areas of activity in order to either support particular industries or to create the possibility for desirable change: the diesel rebates that farmers enjoy, for example, that support their industry and the mandated renewable energy target that has the potential to assist the development of renewable energies. So I think that relying on the market solely is not going to achieve sustainability in a timely manner that is not deficient. That would be the view of our organisation.

MR WEICKHARDT: I hear and respect your point of view, but let me say there are contrary points of view.

MS STEADMAN: Of course.

MR WEICKHARDT: There are quite a few people who I respect who would say that some of the arguments about sustainable renewable energy, actually when you examine these in great detail, don't stack up either. There is a fierce debate going around, for example, on the whole subject of ethanol, that if you look at ethanol as a fuel generated by fermentation of any form of biomass, that it's a bit questionable, if you look at the total life cycle of that, whether it's energy negative or energy positive.

MS STEADMAN: I absolutely agree that we should apply really rigorous analysis of the benefits of particular products and strategies, completely, that there are no free lunches and we need to be really rigorous in our analysis; no disagreement there.

MR WEICKHARDT: That's certainly what we're endeavouring to do.

MS STEADMAN: But the policy direction, I guess, is what I think underlies all of this. If you have a goal of sustainability, then you will be pursuing particular policies

and encouraging new technologies with all the rigour that's required, but this particular document actually seems to set the clock back in terms of taking the wind out of the sails of any progress in the whole way in which we use resources, as it focuses totally on the tip gate almost, rather than on the whole cycle of the development of products and the encouragement of consumerism that requires that you replace equipment with great regularity, for example. But I understand that that's not likely to be a view that you would be sympathetic to.

MR WEICKHARDT: I'm sympathetic to the concerns that you express, but the question is then, given those concerns, what do you do about it? Whose view of the world are you going to use to decide what's right and what's wrong about a certain level of consumption? Unfortunately, when you look right across society, there are some who are perhaps disadvantaged who would be extremely concerned by attempts to reduce the rate at which they consume resources. They might feel they're struggling to exist as they are at the moment.

MS STEADMAN: We have a major interest in promoting equity as well as environmental goods. I think that it's really important that social cohesion and equity be important issues as well as the ethical growth and environmental growth. We've got to keep all the balls in the air.

MR WEICKHARDT: So this issue of addressing excessive consumerism or excessive consumption or living beyond our means, how are you suggesting policy-makers should attack that?

MS STEADMAN: I think the recognition that the physical resources of the planet are limited and the encouragement and the sort of mythology that growth is endlessly possible, it would be useful for policy-makers to recognise the realities of the limitations to the resources. There's lots of documentation relating to that down from the United Nations Millennium Commission report on the state of the planet, and you don't read anywhere in policy statements, except environmental policy statements, of any recognition that the resources of the planet are limited. Petroleum, for example, the limits to oil, I think for policy-makers to look at the actual real state of the planet would be a good start.

MR WEICKHARDT: I hear what you say, and lots of well-meaning and smart people have endeavoured to do that over time. You sort of reject the idea that the marketplace sends any signals that are appropriate in this area but - - -

MS STEADMAN: I'm not saying that I reject the area that the market - - -

MR WEICKHARDT: Can I just go on for a moment?

MS STEADMAN: Sure, yes.

MR WEICKHARDT: In my early career, I spent quite a lot of time in Europe and in the 1970s, the Club of Rome published a document called Limits to Growth which was acclaimed to be the best effort of any expert group on looking at just the sort of issues you talked about and they at that stage predicted the world would run out of oil in 10 years' time. They might be right with their prediction but they certainly got the timing seriously wrong.

MS STEADMAN: Just to conclude my interruption, Philip, I didn't say the market sends no useful signals, but I don't think it's the only thing that we should rely on. If we rely on the market, it will be too late, so we actually need to have policy guidance and direction, as we do in a whole lot of areas, that the market is not sufficient on its own. I think that's the message the report needs to convey, if we depend on the market, and I think that's one of our main points, that the market is not the only tool for resolving these sorts of issues.

MR WEICKHARDT: Okay. Thank you for your input and thank you for your submission.

MS STEADMAN: Thank you for your time.

MR WEICKHARDT: Okay, bye now.

MS STEADMAN: Good morning.

MR WEICKHARDT: We'll adjourn briefly now and our next participant is at 11.30.

MR WEICKHARDT: All right. We'll resume the hearings now and our next participant is Australian Paper. If you could, for the transcript, please just give your name and the capacity in which you're appearing before the hearings.

MR TALBOT: Yes, certainly. Simon Talbot, corporate relations manager for Australian Paper.

MR WEICKHARDT: Thank you very much indeed and thank you for your submission. Assume we've read that and had a number of questions but if you want to make some introductory comments, please go ahead.

MR TALBOT: Certainly. Initially we weren't going to place a submission at the inquiry but as Australia's only manufacturer of white paper, and obviously paper being an increasingly focused waste resource, we thought it prudent to put a submission in, very strategic in its contents, identify some of the key concerns in the Australian marketplace at the moment, also identify what was happening amongst our OECD competitors to just try and highlight a little bit of disparity, and I guess lastly to give a real industrial manufacturing viewpoint that we thought may be lacking.

MR WEICKHARDT: Okay, thank you. Your submission and participation in the hearings is very welcome because we've had a number of other participants talking about related areas. We had APIA and Paper Round appear earlier in these hearings and some of your material is directly relevant to comments that they made. Perhaps I can just pursue a few of the issues that their submissions, and the discussion we had, with them stimulated. One of them that was relevant to the input that APIA made was all around a concern about the product stewardship scheme for recycled paper. Would you like to comment on your views of the direction and the discussions that are going on around the concept of a product stewardship scheme or an EPR scheme around recycled office paper?

MR TALBOT: Yes. Certainly Australian Paper is very supportive of Paper Round. We believe in the product stewardship process; we're not too sure in what manner or form that may take place. It is evident to us as a manufacturing organisation that significantly more investment and leadership is required in the area of recyclability from state and federal governments. Within that context, we have recently closed Shoalhaven's recycling plant that we operated in southern New South Wales and I guess in some ways that is a fairly sad reflection on a modern sustainable society that we have had to actually shut a white paper recycling plant.

It is also worth noting, and I do it in very general terms, that the Fairfield white paper recycling facility located in Melbourne is under significant pressure as well and I don't wish to go into any more details but again, as the only other remaining white paper recycling facility, it would be a sad indictment on our society I believe if

we lost that as well. We don't own that facility but we are the major customer of it.

So in that context, we believe the stewardship of office and printing papers and some form of mechanism is required. It is very difficult with the diverse geopolitical arrangement of Australia to invest in a recycling plant without significant assistance.

MR WEICKHARDT: What's the major driver in your mind behind the idea of introducing some form of government scheme, whether it's co-regulatory or what form it's in at this stage I guess is uncertain. But the mooted concept of there being some formal government scheme EPR or product stewardship, what do you think is the driving force behind that?

MR TALBOT: I think from a purely toxicology basis you have to argue that paper doesn't present a real risk in its landfill context. I believe, however, that it is on the forefront of people's minds as a waste and whilst it may not contribute to significant land or soil or water degradation, it is a fairly simple stream that can be better managed and people argue about the amount of wastepaper going to landfill, but it is significant, it can be reused, we have got a number of studies showing that water reduction of virgin tonne of paper versus a tonne of recycled paper is quite significant. We've got the facts because we run recycling machines and non-recycling machines, we produce obviously recycled papers and non-recycled papers. On other aspects of energy management recycled papers come out with less energy uses and all in all recycled products generate more employment. We're quite efficient at bringing a virgin tree direct to plant into a paper machine. So to answer the question, there is a large social benefit and a lesser environmental benefit.

MR WEICKHARDT: If I understand you correctly, you're saying that this is being driven by a resource conservation, resource preservation drive rather than being a concern about damaging aspects to disposal on landfill?

MR TALBOT: That's right, and I put in quite a prudent graph on our raw material consumption and we've made a commitment in 2017 to be 100 per cent plantation at feed source. We can't convert immediately because there are other plantations in Australia. But I think you can easily see from that graph that the more wastepaper that's consumed in our feedstock the quicker you get out of native forests which is, from an ecological viewpoint and also from just societal expectations, the quicker that happens the better.

MR WEICKHARDT: In the area of cardboard and the area of newsprint it would appear that recovering and recycling schemes operate today quite effectively, not as a result of a formal government scheme, but because the people in that industry find it makes good sense financially, economically, socially to run a recycling scheme. Why hasn't that happened or isn't that happening in office paper?

MR TALBOT: The very first reason is producing newsprint or brown paper, cardboard is a lot more simplistic and from an engineering point easier than producing white office paper. One of the detrimental points of that is that on a standard Reflex paper it can be reused five and a half times a white office paper before it would have to go to cardboard or brown paper. The energy savings and the fibre savings are quite massive if you can use it five times. Unfortunately, the vast majority of our white office papers go direct to brown paper and newsprint and they cannot virtually be recycled any more; maybe one more time, but the chemical inputs are quite prohibitive.

MR WEICKHARDT: So they go to newsprint, you say?

MR TALBOT: The vast majority go direct to newsprint and brown paper at the moment and therefore we are losing all that potential fibre value multiple times over. I think you would appreciate that the treatment processes to produce a high quality white paper are a lot more complex than pulping and producing a brown paper. There are dye removals, ecologically friendly bleaching, dirt, dust, et cetera, it's a lot more screening and labour, mechanically intensive. Having said that, as the only manufacturer in Australia of white papers, it's been very difficult to run a project on our own, whereas some of the other manufacturers, particularly in the cardboard area, have had a number of large industries behind them.

MR WEICKHARDT: What's the difficulty? I'm still struggling to understand, if there are all these good reasons from energy and water conservation and the ability to reuse this more highly processed and refined fibre, why isn't it happening? What's the impediment?

MR TALBOT: There's some market impediment on the price being paid for the pristine recycled paper. So if you look at a feedstock, it costs more to segregate the better white papers out and it costs more to process them back into white office paper.

MR WEICKHARDT: In the recycling steps it costs the people who are recovering the paper to sort it into good quality paper?

MR TALBOT: It is much easier to put it into the one bin and transport it off to a fairly simplistic pulping recovery plant than to actually try and extract the maximum value out of it. Whilst the market is doing that, and that's the accepted norm, it's very difficult, as the one and only manufacturer of white paper in Australia to try and extract across our capital cities that better stream.

MR WEICKHARDT: Obviously when you have to sort things you have to apply energy in the process. Is it your impression that the cost of sorting to a more refined stream would be justified by the benefits you gain?

MR TALBOT: Based on our Swedish, German and French modelling, yes. They've gone into systems of multiple segregation and they're producing multiple waste streams. But again, there has been significant state or federal intervention to assist in the development of the principal asset to do that.

MR WEICKHARDT: So there are government subsidies associated with that?

MR TALBOT: Lesser subsidies, more in terms of offtake agreements and, I guess, R and D and also the direct infrastructure. I think people are moving away from subsidies and tariffs in the recycled area, particularly the paper area, and more inclined to offer assistance in building the actual plant itself.

MR WEICKHARDT: The people from APIA were indicating significant concern about some of the statistics that are cited in this area about the amount of paper that is going to landfill and they indicated that they thought the New South Wales government number was way in excess of the sort of sales of A4 copy paper that's going into offices typically and there was a huge gap in their mind. Do you have any comment on the amount of product that is going to landfill as opposed to the amount of office paper that might not be being used in the most highly refined manner but nonetheless is being recycled in the form of cardboard or newsprint?

MR TALBOT: We have got some general numbers. I think the principal error in the question that's being asked is what is office paper? I think if you just look at copy paper, what you put in your photocopier, the figures shown by the New South Wales government are probably grossly overstated. However, I believe the New South Wales figures are office papers inclusive of the print that's made, so an annual report, a quarterly report, a magazine produced by an office is included in those figures and they're not too far off the mark if you add both office and print paper together.

MR WEICKHARDT: Again, do you think that the sort of numbers that they're citing that go to landfill taking those two categories together, the sort of print paper and the office paper, that their numbers of the amount going to landfill are accurate or is it being diverted to newsprint and cardboard recycling instead?

MR TALBOT: I think plus/minus 15 per cent the New South Wales EPR-type figures are accurate.

MR WEICKHARDT: Of the amount going to landfill?

MR TALBOT: Yes, that's right.

MR WEICKHARDT: So large percentages?

MR TALBOT: Yes.

MR WEICKHARDT: Okay. Why is it that those products or that quantity is going to landfill as opposed to even going to lesser forms of recycling, like in newsprint and cardboard?

MR TALBOT: I think you'll see, and this relates to announcements from two or three of the major ASX companies dealing with those products, that they're going offshore. I don't have the exact numbers but I think the amount of manufacturing in those areas is on the decrease and - - -

MR WEICKHARDT: What, in newsprint and cardboard?

MR TALBOT: Yes, that's right, and I believe there is a significant percentage of import, pulps, coming into the country. As I said, I don't have the exact figures but in the event of a Fairfield office paper recycled pulp closure we would have to have contingencies for importing that pulp. So we have assessed the pulp market and there are very competitive recycled pulps available to import into Australia and we are aware of other companies doing something similar, but I don't have anything specific.

MR WEICKHARDT: Now, the APIA people were saying that they had a concern that if all this recycled product were recovered from the office stream in its sort of most highly refined manner, there wasn't an outlet in Australia for all that fibre. Yet I see you in your fibre sources chart in your submissions show that your fibre source includes 25 per cent imported pulp, so I'm struggling to understand this issue. Do you think if all the product were captured and were properly sorted that your company, which is the only source or the only manufacturer of products for this white paper market - does it have the demand that would satisfy that?

MR TALBOT: It depends on the sorting characteristics of what could be recovered. However, we've got a three-tiered model that we put in place for what you would do with that material. Those three tiers are, first of all, you get a premium price for reuse in office paper. Then you would get a secondary price for export, perhaps brown papers to China - which is a large source of our recovered material at the moment - exits Sydney and Melbourne and at that second-tier level a biofuel usage. We already utilise - we have done tests on wastepaper as a biofuel in recovery boilers. It's fundamentally better than coal and the emissions are very good on it.

MR WEICKHARDT: That's just as a thermal energy source?

MR TALBOT: A thermal energy source. The third tier and probably the last tier is

there are significant carbon benefits in paper that can be used in agricultural degraded sites. Now, there are transportation costs given that most of those sites are in the wheat and cotton belt but there are a number of interesting research projects that we have been party to. So fundamentally there's plenty of avenues for using that material.

MR WEICKHARDT: So there's a composting - - -

MR TALBOT: Yes, composting and putting into soil.

MR WEICKHARDT: I have to say I'm struggling a little bit because I thought you said previously that the problem is at the moment that the amount of recycled office paper which is being recovered is going mainly to newsprint and to cardboard or packaging applications, but you are now talking about biofuel and composting. If you get a more highly sorted form of recycled paper, can your firm use potentially all the material in the premium office area?

MR TALBOT: If we were talking about CBD, highly sorted white papers, yes.

MR WEICKHARDT: All right.

MR TALBOT: It's very hard to give you the Australian market but I've actually put together a recycled paper sales chart to give you a flavour of the movement in the market over the last two years. I think when you look at that, you will see that there isn't a massive demand in the market. It's whatever relates to market demand. We obviously can't produce something that won't be purchased, but based on what we're seeing at the moment it's very, very promising.

MR WEICKHARDT: Okay. That again bears on an issue that the folk from APIA were talking to us about. They were saying that there's a real limitation of customers, real resistance of customers, to using recycled paper if it has any lower whiteness or gloss level or weight, that customers won't pay for it. Their point, I think, was that typically the recycling at the moment costs more money than using virgin material. So there's a sort of motivation by the recycled user or the recycled producer to charge more money for it. But I think they were saying even if it were sold at the same price, most customers, despite the fact they proclaim they like recycling, apparently choose the whiter, brighter, virgin material. What's your experience in terms of selling products that contain recycled fibre?

MR TALBOT: We work closely in conjunction with the largest printers in Australia and also the largest photocopier manufacturers on a global basis. None of our recycled products would be put on the market if they didn't perform in the same manner as virgin non-recycled products. Our fastest growth rates or the fastest growth rates of any products seen in 25 years of office paper manufacturing have

been recycled grades. That growth rate has been occurring over the last two and a half years, I might add, on moderate marketability from our company/organisation. You must appreciate the fact that if we overheat the market and can't deliver, it's just as detrimental as not having the product available at the start.

We've released four new brands in the last 18 months, recycled brands. Again, we're achieving between 200 to 400 per cent annualised growth of those products. My work is largely involved in federal government departments and ASX corporations. Universally they're all requiring the highest levels of product stewardship. Rarely would I have a Westpac or a NAB or an ANZ or a Rio Tinto ask me about the whiteness of the paper. They're much more concerned with the recycled content and the life cycle management.

MR WEICKHARDT: That's gratifying to hear. It's a very, very different story to the story that APIA gave us. You might like to read their transcript, but they were shedding all sorts of concern and gloom and doom about the Australian consumers' - governments, large corporations or individuals - willingness to buy recycled product.

MR TALBOT: As a matter of interest we have a number of large corporations, federal, state and private, altering their procurement policies to benefit goods, including paper, that save Australian landfill. Now, that actually just abides with free trade agreements. That places us in an ideal position where we are the only Australian manufacturer. APIA do represent a large amount of importers. So that would probably be the reason why some of the comments may appear contradictory.

MR WEICKHARDT: So what percentage of the sort of A4 copy paper that you sell does contain recycled product in it?

MR TALBOT: I'm just going to run through my stats in my mind so I can give you the correct data. As of last month we made up 50 per cent of the A4 copy paper market. Our production fluctuates from 115 to 135 thousand tonne a year. As of June this year we are producing close to 19 per cent recycled content paper out of that, say 120,000.

MR WEICKHARDT: So 19 per cent of your total contains recycled fibre?

MR TALBOT: That's right.

MR WEICKHARDT: What would the average content of recycled fibre be in it?

MR TALBOT: Last month we produced 1600 tonnes of recycled paper or had 1600 tonnes of recycled paper sales in Australia. That product was Reflex 50 per cent recycled, Australian 80 per cent recycled, Australian 10 per cent recycled, Corporate Express 50R, and the printing product, Revive 35. So in reality

it's around 50 per cent.

MR WEICKHARDT: About 50 per cent recycled fibre?

MR TALBOT: Yes.

MR WEICKHARDT: What's stopping you taking that 1600 tonnes a month or the 19 per cent of all your product sales and making that 50 per cent or 60 per cent of your product sales?

MR TALBOT: The assets don't exist that could supply the volumes we require and also an economically viable level to the manufacturer.

MR WEICKHARDT: So it's a production limitation?

MR TALBOT: Yes. For example, the Shoalhaven facility we closed, it simply couldn't produce the volume required and it lost its economy of scale compared to some of the imported recycled pulps that we could get. We've made a commitment to purchase obviously Australian feedstock, but the Australian facilities just don't exist that can supply the material.

MR WEICKHARDT: I'm struggling to understand this a little bit because you're suggesting there's more potential latent demand for recycled fibre than you're producing at the moment, yet you've shut one of your recycling facilities.

MR TALBOT: Yes.

MR WEICKHARDT: How does that work?

MR TALBOT: That facility was located at Shoalhaven and our main manufacturing plants are Tasmania and Victoria. There were some perhaps historical errors in the placement of that plant. Its size and efficiency and additional transportation costs associated with the rising oil prices made the pulp just - the market returns weren't there. You spoke before about what sort of premium you can get on recycled paper: between 5 and 10 per cent premium. If you don't have a world-class, world-scale recycling facility, your costs soon well and truly blow out over that market premium you can capture. So in essence, we're losing money on a number of brands and therefore we decided to focus the Shoalhaven recycled products at the Maryvale plant in Victoria because it was closer to the Fairfield recycling facility. Unfortunately that's placed more pressure on the Fairfield recycling facility and that's the only one now in Australia available to us.

MR WEICKHARDT: Most manufacturers revel at more pressure. More pressure suggests more demand, more volume, and they therefore make further investments.

What's the missing link here?

MR TALBOT: The Australian marketplace is suffering the consequences of very cheap Asian imports, often with low social and environmental credentials, and we are dealing with a number of federal government departments on issues such as illegal logging and dumping of product. Nevertheless that has attuned the Australian consumer to a set price per ream of paper or per tonne of paper and that is the primary reason why it is very difficult to invest. The dollar has been fundamentally high for the last two years at least; again, that makes imports very cheap.

MR WEICKHARDT: Okay. So you're saying at the moment the whole industry profitability level is low, so investment in any form of papermaking is hard to justify, but let's hypothetically assume that that period of time comes to an end. Is it the case that the first form of investment that you'd make in more capacity would be around more recycled paper?

MR TALBOT: Given the market trends, yes, definitely the best opportunity for us. As a matter of fact, one of the few competitive advantages for us in Australia is recycled products.

MR WEICKHARDT: That being said, you bemoan in your submission the fact that there is imported recycled paper coming into the country and I think your assertion is that this is often subsidised and supported by offshore governments. Is the Australian consumer sensitive when they buy recycled paper as to whether or not it's got recycled Australian fibre in it or whether it's got any form of recycled fibre in it?

MR TALBOT: Our most successful marketing campaign - I've got a sample here - has been a product called "Australian" and on the back of it, it shows, "Saving Australian landfill," so clearly the Australian consumer has been more inclined to purchase a product called "Australian" that saves Australian landfill than the imported recycled grades. Again, we like to compete with the North Americans and Europeans because we're competing on equal footings, we believe, but nevertheless for their recycled grades, they have had significant capital investment and subsidy assistance that we haven't had in Australia.

MR WEICKHARDT: If your comment is right that the APIA position largely represents the position of the importers - their view of the ability to market recycled paper was pretty jaundiced - that suggests surely there's a big opportunity for you, based on what you've said, to market much, much more recycled paper.

MR TALBOT: Australian-made recycled paper?

MR WEICKHARDT: Yes,

MR TALBOT: Yes, certainly. I mentioned 200 to 400 per cent growth rates for our recycled brands; there is a great opportunity.

MR WEICKHARDT: Yet some of that ironically involves imported recycled pulp.

MR TALBOT: No, imported pulp, not recycled pulp at this stage. I mentioned before about our movement away from native forests; we've made the commitment that it's better to import plantation pulp for a number of our brands than to use Australian regrowth native forests. Some of that is marketing orientated as much as anything else.

MR WEICKHARDT: Okay. So in terms of the sort of support you have for the product stewardship scheme, what is it that you would like ideally the government to do in this area?

MR TALBOT: Certainly to not distort the marketplace with a subsidy. We don't think that's worked in the past. We would like to see some sort of - - -

MR WEICKHARDT: You mean by that a subsidy on the recycled paper?

MR TALBOT: Yes, that's right.

MR WEICKHARDT: So you don't want that?

MR TALBOT: No, I don't think that would have a great overall benefit. I think you would just simply get Asian competitors diverting to recycled grades and bringing them in at low cost, so it would put the Australian jobs overseas, so to speak, and put us out of business. I think fundamentally in any life cycle assessment, you need to accurately place a dollar figure on the costs of waste disposal and landfill and when we do that with paper, somehow that needs to flow back through the real cost of paper. It may be that, similar to the waste oil, waste tyre systems, schemes that I don't claim to know a lot about, across the board people pay slightly more for paper.

Now, from a very strategic viewpoint, you do not want to increase the cost of all papers imported and likely to produce too much because it will make other forms of communication media more suitable, so it's a very fine line for industry to tread. If you push the price of paper up, you will end up having electronic PDFs emailed more than print documents. Nevertheless, if there was some form of organisation that could capture that levy, as minor as it may be, and with regulatory assistance divert it back into a number of waste recycling projects, that would be our recommendation.

MR WEICKHARDT: I guess these schemes can take on a variety of complexions but extended producer responsibility schemes generally say to the producer, that's you, "You have a responsibility to reclaim and get back all this product and recycle it yourself." Do PaperlinX embrace that? You would be happy if the government turned round and said, "You'd better recover 80, 90 per cent," or something like that, "of the paper you sell. You go to it - your problem"?

MR TALBOT: Yes, we believe we're in a very good position, in that of the 120,000 tonnes of copy paper we produce, we are actually a net recycler close to 100,000 tonnes of papers. Now, we do produce some brown paper, so we can easily show a mass balance of, "This is what we issue into the community and this is what we take back from the community. We're fine, focus on the importers and give them a levy, a tariff or a subsidy." We haven't done that. We've said no, across the board it needs to be a combined societal approach, and I believe the regulators know that. They know we do a lot of recycling and how we mix and match the recycled products is largely irrelevant because we could very easily show what we put into the market, we're rebalancing.

MR WEICKHARDT: But despite the fact of you saying you recycle lots of products, you've also said there's lots of this product going into landfill. Are you suggesting that all the product that's going to landfill is imported product and all your product is coming back?

MR TALBOT: Definitely not, no. When we recover office paper, we don't discriminate on its country of origin, we just take what's available.

MR WEICKHARDT: So if the government turn around to you and say, "Well, it's your problem to start all this product going to landfill. You set up a scheme to collect it, sort it, process it," are you happy about that?

MR TALBOT: When it gets to the point of potentially tagging every sheet of Reflex and having some sort of - that would be impossible. I think the government would simply say, "How many tonnes of office paper do you produce? How many tonnes do you take back?" As I have alluded to before, most of the office paper taken back goes direct to brown paper and that's the same with our case as well.

MR WEICKHARDT: It's a small percentage you're saying of office paper?

MR TALBOT: A small percentage of office paper goes directly back to office papers.

MR WEICKHARDT: If you're suggesting large quantities go to landfill, then it's only a small percentage of total office paper that goes to any form of recycling,

whether it's newsprint or cardboard.

MR TALBOT: That's correct. As I said before, our total recycling number matches very closely to our total office paper production number. We don't just produce copy paper, we produce a whole variety of product streams. We would argue that in the Australian context our total recycling balances the copy paper production which is what the product stewardship is targeted at at present.

MR WEICKHARDT: I think you might be being overly optimistic about the intentions of the government in introducing such a scheme. I think they're very much focused on the fact, as I understand it, that there is a whole lot of this product going to landfill and if they introduce some form of EPR scheme, they'd be looking to you and your company to say, "You put in a scheme to collect it all, sort it and reuse it. Don't point to the fact you've got all sorts of other recycled fibre from other directions. Stop all that product from offices going to landfill," and I hear you're saying you're happy about that.

MR TALBOT: No, I'm not saying I'm happy about it, definitely not. Again, I think a broader industry approach is required.

MR WEICKHARDT: But you're the only person who can reuse the fibre.

MR TALBOT: For remanufacturing in Australia? A lot of people could use it as a biofuel.

MR WEICKHARDT: But that's a pretty low form of reuse. You could go surely with higher value into brown paper or into newsprint than to biofuel.

MR TALBOT: I think the brown paper and newspaper market is largely happy with its current Australian recycle intake. So I don't necessarily think a lot of - - -

MR WEICKHARDT: Wouldn't the government logically therefore say, "Well, look, PaperlinX you say you're only selling 19 per cent of copy paper with recycled content, you're the Australian manufacturers, you collect all this office paper that's going to landfill, you sort it and you increase that 19 per cent to 50 per cent," or something. Would that be what they have in mind?

MR TALBOT: If they did, I think they would find a large amount of job losses in the Australian paper market, yes.

MR WEICKHARDT: Why is that?

MR TALBOT: As I alluded to in the submissions - I kept the submission specifically strategic - we're looking at a global playing field where the importers

have very different levels of subsidies and government assistance, regulatory assistance than what we have in Australian manufacturing. So to put a further burden on the Australian manufacturer in lieu of that global context would be naive at worst. It would be detrimental to the industry.

MR WEICKHARDT: I guess time will tell how all that pans out.

MR TALBOT: If I interrupt, just to conclude that point of argument, we've invested in the only two white paper recycling facilities in Australia. We fluctuate between 40 per cent to 55 per cent of the market. None of the importers have invested in any recyclability in Australia. So already we have a burden on our production infrastructure capacity. We have chosen to continue to educate the Australian consumer that recycling is good and we have continued to try and push recycled products on the market. So any change or additional pressure on us as an organisation to do more in the recycling would simply close those plants. You simply would put additional costs pressures on an infrastructure capacity that couldn't handle it and an organisation that couldn't possibly fund it by itself. The importers, who at this stage are getting away scot-free, need to work with the local manufacturer on a broader Australian front.

MR WEICKHARDT: What is it you want the Australian government to do here or the statements governments to do? It sounds, if I may characterise it crudely, as if you want them to tilt the level playing field and make it unlevel so that they favour the local manufacturer over the importers.

MR TALBOT: I don't think that's the case. In my submission I clearly articulated a number of OECD companies that had done things to simulate recycled goods' consumption, such as mandating minimum percentages of recycled paper procurement. If federal and state governments made up 30 per cent of total paper usage, if they mandated that every single department had to purchase a minimum percentage of recycled fibre, that would flow through hard and fast back at the manufacturers, "Gee, look at this demand now." It would potentially force prices up. It would certainly give the confidence to invest in additional recycling facilities.

MR WEICKHARDT: I'm struggling to understand your comment previously that you've got people champing at the bit to buy recycled paper; if you had the capacity to produce more you could sell it like hotcakes. So why does the government have to mandate this?

MR TALBOT: I'm not suggesting the government has to mandate it, I'm suggesting other OECD countries do which makes their recycled offerings quite cheap. At the moment our growth is on the back of saving Australian landfill. From a marketing perspective there will become a price differential in which people feel comfortable about saving Australian landfill and then they feel comfortable about

just buying a recycled product. So what I'm suggesting is our growth at the moment has been purely, "You're saving Australian landfill. The Asians will get involved through subsidies and bring a recycled product into Australia won't save Australian landfill, the whole extended producer responsibility won't be taken into consideration and the local manufacturer will be put out of business." Can you see that sort of - - -

MR WEICKHARDT: The folk in APIA who you say represent the importers were the most horrified about this scheme because they said there's no demand for recycled product. You're saying there's lots of demand.

MR TALBOT: Yes.

MR WEICKHARDT: Maybe I'm putting two and two together and getting five, but that suggests the Australian consumer wants to buy Australian recycled product, which has a logic to it. If that's the case, I can't see for the life of me why you're not charging ahead to take advantage of this demand out there in the marketplace for Australian recycled products.

MR TALBOT: As I alluded to, and there's the chart I will hand in, we are charging ahead as fast as we can within the current capacity. A 200 to 400 per cent growth rate on recycled brands is a charging ahead. We do make more money at this stage on virgin fibre, but we believe in three to four years' time, recycled fibre and recycled brands et cetera will give us a better premium. I mentioned before that we're stuck on this idea that Fairfield is the only facility in Australia at the moment that can deliver recycled pulp and therefore take recycled office paper which is a weakness for ourselves and society in general. An Asian importer or an European importer or a North American importer, they don't run any recycling facilities in Australia. Their recycling facilities in their country of origin are largely subsidised and they do not save Australian landfill. We are the only ones who go out to collect, recover, put back into Australian brands et cetera. It is an uneven playing field at this stage. A levy system on all papers coming in and being manufactured in Australia levels the ball.

MR WEICKHARDT: Sorry, say that again.

MR TALBOT: If everyone is levied, no matter who sells paper, if all importers and the local manufacturers are levied on per tonne of paper, we think that's a level playing field.

MR WEICKHARDT: So you're suggesting that if there is that levy up-front on any particular sheet of paper that you collect and then you have a responsibility to go and recycle that product, that's a good scheme?

MR TALBOT: That's right. We think it's a very good scheme. We think that

would lead to the ability for manufacturing operations - which frankly, across the board, outside petrochemical and mining in Australia are struggling in our industry to survive, in our industry to play on a level global playing field - we believe that that three-tiered process of ideally back into office papers, then biofuels, potential land tilling, could be enacted. It would be great to be able to see a Sydney and Melbourne joint industry sponsored recycling facility that can segregate. As an organisation we would be mad not to be able to sign up to some sort of offtake agreement to procure a significant percentage of that product from that facility.

MR WEICKHARDT: So you would invest in terms of adding capacity to be able to handle all that recycled fibre, would you?

MR TALBOT: It would be mad for the company not to take that decision, yes.

MR WEICKHARDT: Given the fact that if the New South Wales statistics are correct, the A4 copy paper is maybe a fifth of the total of all the paper that comes through offices, and the rest, you're saying, is printed paper, if you got a high percentage of that back - and let's use the newspaper recovery rate of 75 per cent - can you use all that recycled fibre in a high-grade application, where you were previously advocating it has merit as highly refined fibre? Can you absorb all that?

MR TALBOT: It's going to come down to price but there's no reason why all our papers couldn't have some sort of recycled percentage. That's the case occurring in Germany at the moment, where not buying recycled paper is the anomaly rather than - nearly all German-manufactured papers have some percentage of recycled content.

MR WEICKHARDT: So how many thousands of tonnes or hundreds of thousands of tonnes a year of recycled product - the New South Wales number I think that APIA cited was that there was 600,000 tonnes in New South Wales going to landfill - if I take a wild extrapolation from that, that across Australia, if you use that number, there might be 3 million tonnes and you recover 75 per cent of that, so that's 2 million tonnes hypothetically of recycled fibre that might come in your direction. Can you use all that?

MR TALBOT: Given that we produce 860,000 tonnes of paper a year, that gives you an idea of what we could - and having said that, you wouldn't produce 100 per cent recycled papers across the board because certain products just aren't suited to that.

MR WEICKHARDT: So inevitably if those numbers are right - and I'm sorry, I've plucked those out of the air - then there would have to be a lot of exported fibre or fibre used for thermal applications and things of that sort.

MR TALBOT: Absolutely.

MR WEICKHARDT: Are you satisfied that that could all be done as a net community benefit? Ultimately the consumer pays, so you're suggesting a levy should go on all sheets of paper. All consumers end up paying that because you pass that cost through to the consumer and this is being done to recover the fibre and some of it is being used locally, some of it is being exported. Do you think that all this is going to be to the net benefit of the Australian community?

MR TALBOT: Look, certainly we employ 10,000 Australians. As a manufacturer, yes, any benefit to us will benefit the regional communities in which we have our manufacturing plants. I think if you look at the recovery along our capital cities and landfill costs in Sydney, it has to be a benefit. Recovering 3 million tonnes or that part may be extremely difficult. It may be very optimistic. I think really stage 1 would be to pluck the eyes out of the best recovery streams, so I wouldn't like to suggest that someone could go out there and build that size plant. It would be something perhaps half that capacity. Some of the papers have oil, grease, other biological issues with them, so you couldn't recover them economically, so therefore you're using extra energy and water to try and recycle something that you're not getting a benefit from, so again, probably half that figure.

MR WEICKHARDT: Okay. Based on what you've said - and I just want to clarify this absolutely - you're saying I think at equal price points, the Australian consumer, Australian government, the large corporations, are happy to buy recycled paper that contains Australian fibre in it and they're pretty unwilling to buy recycled paper that contains imported fibre or imported recycled paper?

MR TALBOT: The people who abide by DOFA guidelines on value for money procurement take into account landfill costs and when they do that, it puts our product at an advantage. People who buy purely on price don't care, but there is an increasing level of corporate social responsibility in both government and corporate circles, certainly not enough to cause a massive - us to be able to invest vast volumes in converting everything to recycled, but nevertheless enough to get our recycled brands growing quite quickly.

MR WEICKHARDT: What is it that's stopping a lot of this paper that's used and processed in offices actually being collected for any form of fibre application? What's actually causing it to go to landfill at the moment in your opinion?

MR TALBOT: I guess Amcor and Visy, being the main cardboard manufacturers, have the required volumes they need, therefore, they're not placing any major additional demands on the newsprint. Norske Skog have an excellent system and we certainly communicate with them on a regular basis, that they have their needs met, so therefore the domestic - and we've obviously got some moderate growth in a recycled capacity, but within Australia there is just too much material at the moment

for the processing facilities to cope with. Therefore, it flows all the way through; the buildings aren't designed to recover wastepaper. There is a lot of transportation issues; as I said before, very good at chopping a tree down and putting it through a paper mill. There's probably six fundamental steps. There's about 14 steps in getting office paper out of a CBD into a baling plant, into a dinking plant, into a washing plant, then off to the mill to be put into a paper sheet, so you have all those additional costs and complexities. As such, people just see landfill as an easier option. So I'm probably answering it on three fronts here but, yes, it is lack of demand in the Australian marketplace, lack of infrastructure to easily move that material and the landfill costs because the true landfill costs aren't forced back on to the consumer and landfill disposal is a cheap option.

MR WEICKHARDT: You think commercial operators aren't paying the full costs of landfill, do you?

MR TALBOT: For the commercial and average consumer, I don't think it's paying the true figure of landfill disposal, no. I think if they were, that would then drive the recycled collection agencies or facilities to invest more money and then to grow.

MR WEICKHARDT: Clearly other people have different views but if you read our draft report, you will read there that we think that with the levies being applied at the moment, in New South Wales particularly, that commercial users are probably paying significantly and in excess of the true costs of landfill.

MR TALBOT: I wish all our major regional and capital cities were paying the same as Sydney because I think it would then change the Australian market somewhat. Sydney, I would concur with a fairly - - -

MR WEICKHARDT: But Sydney has got lots of paper going to landfill.

MR TALBOT: Yes. It doesn't have a recycling facility any more as well.

MR WEICKHARDT: But you'd be happy to invest in that based on being able to levy people up-front. You'd invest in - - -

MR TALBOT: That would give us the assurance, yes, to do it, to invest, also invest in paper machines capable of recycled product as well. You can't always use your existing infrastructure. You need to make process changes.

MR WEICKHARDT: A lot of this fibre, from what you've said, if we collected a high percentage of it, would end up being exported. That opportunity exists today, so why isn't this investment going on in infrastructure to collect this office paper today and to export the fibre?

MR TALBOT: Again, it's global inequities. I've been to the major EU recycling facilities, sorting facilities, built or subsidised through a levy system or actually funded by a state agency. It is very difficult that you're dealing with an Australian issue; making up a large but minor percentage of the Australian paper market, it is impossible for us to actually build a facility to handle all Australian paper. Nevertheless that's the sort of scale required.

I mentioned at the start that there was geopolitical issues. If you were dealing in Mannheim or Stuttgart, Germany, you have a 100 million people within a 500-kilometre radius, therefore you can build a very good facility and get a lot of feedstock. In Australia we're faced with the situation of transport, Brisbane, Sydney, Melbourne, Adelaide, Perth et cetera; without government assistance and leadership, it is near impossible to make an economic case for a single entity to build a facility.

MR WEICKHARDT: I guess our responsibility is to try to recommend policies to government that are in the interests of the community, and government support and leadership is sometimes a proxy in the minds of others for governments spending taxpayers' money, that's the community's money, and the issue we have a responsibility to recommend to government is that they spend our money wisely. I guess I'm struggling still to understand whether or not this investment in infrastructure and collection can actually be done in a way that doesn't require taxpayers' money to be spent. From what you've said you could use some more recycled fibre, but a large quantity of a recycled fibre would either have to go to export, which you could do today, or be used for thermal applications which you could do today. If that could happen today without government support, my question is why isn't it happening, and if it requires government support to make it happen, why are you convinced that's in the interests of the community?

MR TALBOT: First and foremost the market drives everything and the market isn't mature enough as yet to warrant a significant investment in a recycled facility. As a said, as a large but less than majority market player, we don't have the resources or the funds to develop a global full-scale facility. I would have to suggest that nowhere in the western world has a decent recycling system on paper been set up without significant leadership on the government's behalf.

MR WEICKHARDT: "Leadership" is code for money from government.

MR TALBOT: Money, levy or subsidy, yes. Likewise, unlike most of the global paper markets, we have a very open free trade economy which makes us an ideal target for cheap Asian imports. So, as I suggested, the actual base price of paper in real terms has reduced quite significantly over the last five years. As a local manufacturer, that has hit us hard, coupled with the high Australian dollar and high fuel prices. So there's absolutely no way that we can invest in a facility that would do anything more than we currently produce. To that extent I think the Australian

consumer or Australian society would be at a loss. We'd say, "Look, we're doing what we have to do. We're balancing total recycled against total copy paper production." The vast majority of importers would get away with it and we wouldn't be any better off.

MR WEICKHARDT: At the bottom of page 6 in your submission you quote a New South Wales waste management authority in 1999 estimating the true cost of wastepaper to landfill was in the vicinity of 178 to 200 dollars per tonne. Do you know how they arrived at that number?

MR TALBOT: No, I don't; it was something in the file I inherited.

MR WEICKHARDT: I'm not sure if we have access to that. Afterwards we might get you to talk to the staff and if we don't, we might get you to send us a copy of that. It seems a very high number, unless there is a huge amount in there for the potential value of that fibre as an alternate use and if there is, again, I wonder why the market is not paying that today.

MR TALBOT: Yes.

MR WEICKHARDT: You also cite a section in your submissions where you say, "Tax incentives as utilised in the 1990s have led to market distortions in the import of recycled product without a real net environmental or social benefit to Australia; as detailed in Environmental Economics Research Paper Number 5 prepared by Ecoservices Pty Ltd." Again, if you had a copy of that, we'd be grateful to see that.

MR TALBOT: Yes, not a problem.

MR WEICKHARDT: You mentioned the fact that the Shoalhaven mill is closed and that was processing a number of wastes being recycled, including liquid carton board. Where is that product going now?

MR TALBOT: I would suggest the liquid carton board is either going to landfill or brown papers. If you rip open a milk carton at home, the white fibres are some of the best in the world, but as I said, the economies of scale for that plant and some of the production pressures at Shoalhaven meant we couldn't maintain it, but yes, definitely they're going to landfill or brown paper.

MR WEICKHARDT: So who has got the capacity to process the carton board product to brown paper in Australia?

MR TALBOT: I think if you produced a very crude box paper, Visy could probably do that.

MR WEICKHARDT: The other product that Shoalhaven was processing, has all that gone to Maryvale?

MR TALBOT: All the other brands have switched to Maryvale, yes. As a matter of interest, the Shoalhaven product produced a white pulp and then a brown pulp that was quite dirty and that went to land tilling with local farmers, Manildra starch et cetera as like a fertiliser, and we have case studies of how that multitiered system can work effectively.

MR WEICKHARDT: Sorry, I missed that point. You say it went for landfill?

MR TALBOT: Yes, we actually worked with the local agricultural societies to use it as a saline reductant in soil and they also mixed it with a fertiliser as a soil additive. So to give you an idea when you're bringing in waste material, you take the best white paper, the rest you look at whether you can sell it to brown paper or alternatives. In the case of Shoalhaven, the alternative was agricultural options.

MR WEICKHARDT: Was a reasonably large component of the recycled product going out in that application?

MR TALBOT: I would think - and it was an old plant - probably 40 per cent was going out as a land tilling exercise.

MR WEICKHARDT: It doesn't sound like a hugely value-adding component of the whole process.

MR TALBOT: We received money for it and obviously the money was probably greater than the transport to Botany or another brown paper manufacturing site.

MR WEICKHARDT: Okay. So it made good economic sense?

MR TALBOT: I can honestly say that it wasn't an issue in why the plant was closed. The plant was largely closed due to the size of the machines that fed off it and the global pressures.

MR WEICKHARDT: I think that finishes all my questions. Thank you very much indeed for appearing and thank you for your submission.

MR TALBOT: Thank you.

MR WEICKHARDT: We're going to adjourn the hearings now until 1 o'clock.

(Luncheon adjournment)

MR WEICKHARDT: We'll resume the hearings now and our next participants are the Master Builders Association of Victoria. For the transcript if you could give your name and the capacity in which you're appearing today, please.

MR ZENNARO: Paul Zennaro, senior adviser communications and government relations with the Master Builders Association of Victoria. I'm here today in place of Brian Welch who unfortunately couldn't attend.

MR WEICKHARDT: Thank you very much indeed and thanks for your submission which you should assume we've read, but if you want to make some comments to lead into the discussion, that will be fine.

MR ZENNARO: Thank you. First of all, thank you very much for this opportunity. A little background, if I could, about our organisation: established in 1875, the Master Builders Association of Victoria is this state's oldest employer organisation. We represent more than 6000 members across Victoria's residential and commercial public sector which is a unique position which we occupy. Membership of our association includes house builders, housing subcontractors, general contractors, specialist contractors and engineering contractors in the commercial sector. The Master Builders Association has a strong working relationship with the Demolition Contractors Association of Victoria and we actually act as their secretariat. They are the peak employer body for organisations undertaking commercial and residential demolition activity in Victoria and we did work very closely with the Demolition Contractors on our submission.

The building industry in Victoria is obviously one of the largest and in 2004-2005, our industry was worth $26.4 billion, predominantly in the housing and construction sector, about $15 billion, the commercial construction sector about 8 billion, and in engineering construction, around about 3 and a half. Those members who undertake those works, who obviously have a broad range, were all consulted on our submission to this inquiry and just to give you an idea about the breadth, that includes contractors who would have worked on housing extensions through to the Scoresby Freeway project which is one of the largest infrastructure projects in the history of the Commonwealth.

I would like to make the point at the outset that the Master Builders believe that the draft report perhaps didn't place enough emphasis or go into sufficient analysis about the role of the building and construction sector in relation to waste, the creation of waste and the dealing with waste. Our sector - and we understand from your report and from other research - is one of the greatest producers of waste in Australia and it is a sector that in the past has shown a willingness to recycle, albeit that most of that recycling has taken place with granulated concrete recycling. We do have concerns that there are increasing trends towards waste production in our industry, particularly through packaging and what would often be seen by a lot of

people as wasteful packaging or unnecessary packaging.

There are three main areas we discussed in our presentation to the draft report. The first one was the idea of financial assistance from the government to waste transfer stations and we raise this point because small builders are often involved in the sorting of their own waste and when we talk about small builders, we're talking about housing builders, and there are around about 36,000 new homes built in Victoria last year without consideration for home extensions, so there is a lot of waste generated by this particular sector of the economy and many of these people self-sort their own waste into recyclable materials at transfer stations.

We also looked at the idea about developers taking responsibility for waste management away from individual builders, particularly in greenfield development sites. An example that was raised was that of the VicUrban Aurora development in Epping where VicUrban, who are a developer, albeit owned by the Victorian state government, actually took all the waste management responsibilities from individual builders and took it into their own hands, therefore being involved in a greater scope of collection and so on in recycling.

We also wanted to emphasise the idea about investigation of best practice within the industry and whilst there may be some smaller measures that may not be seen to have a huge impact on the overall waste situation in Australia, there are some very innovative methods undertaken in the building industry and in our submission we put the point of one particular builder who cuts pieces of materials into small sections which are then able to be used in wall cavities, to be placed in wall cavities, reducing the need for that waste to go to landfill, something which isn't of any particular benefit of the performance of the house, with the exception of providing marginally more insulation, but reducing waste going to landfill. If that was something that was encouraged across the broader industry, it could have a massive impact on the amount of waste.

The final issue was that of geographic locations of waste transfer stations. I think with rising fuel costs, we understand of course that the Productivity Commission had a rather substantial inquiry into housing affordability and demolition costs, in particular the transport of demolition materials in country areas, could have a massive impact on housing affordability based upon the simple cost of transferring those materials across large geographic areas.

The one point I would like to raise which wasn't actually in our submission actually came from the Demolition Contractors and that was in response to their experience of less and less landfill sites being available to them in regional areas of Victoria. They did make the comment that perhaps the commission could consider the idea of making non-putrescible landfill sites available in those regional areas. They said this would be a very good sort of issue for two major reasons: the first one

is hopefully it will reduce transport costs associated with transporting waste often across vast distances to landfill sites and secondly, obviously because it will prolong the life of established landfill sites for waste that might require a high degree of treatment or containment in that environment. Also we believe it would reduce the cost burden on local government and not have an adverse impact on the environment. Thank you for the opportunity to speak to you today.

MR WEICKHARDT: Okay, thank you. Just on that point of the landfill sites for non-putrescible waste in regional areas, what is the problem? Are you saying that there aren't landfill sites in those regional areas that will take inert waste?

MR ZENNARO: The issue we have at the moment, and we keep on hearing from members in regional areas, is that there are less and less landfill sites available, full stop. Their issue is that there are less opportunities for them to get rid of materials that were going to landfill. A particular example recently in Bendigo is where there were massive increases in the costs associated with landfill, and builders in areas outside of Bendigo actually were travelling in some instances up to 150 kilometres in order to dispose of waste.

MR WEICKHARDT: This is just inert waste, not hazardous or anything?

MR ZENNARO: That's correct. We're talking about typical materials like timber which can't be recycled or used for other purposes, some very basic metal materials, glass, plasterboard, these types of materials. Large distances are being travelled to get rid of them because there just isn't the landfill opportunities within close distance.

MR WEICKHARDT: That sounds extraordinary. Around Bendigo, are you saying?

MR ZENNARO: Yes. That's one area where there was a massive increase and that's the submission we received from at least two builders in that area who were saying they were travelling those types of distances.

MR WEICKHARDT: So the landfill was available but they just didn't like the price. Is that the issue?

MR ZENNARO: That is a factor and obviously building is an incredibly competitive market and those issues are important, but also when we talk about areas perhaps that are more remote, additional landfill sites for inert waste would be of great cost benefit to the consumers.

MR WEICKHARDT: Okay, thank you for that. A couple of issues that you didn't refer to in your submission, but are relevant: we talked at the first round of hearings with your organisation about difficulties associated with builders, particularly at

small or urban building sites, in having skips be able to be located on the site and indeed skips perhaps to take different materials. So they were suggesting that I think you therefore typically have builders who simply throw all their waste into the one skip because they don't have the physical room to put more than one skip there. I heard you say during your introductory remarks that you wanted some form of government assistance, for builders to sort that waste out at transfer stations. Was that the point you were trying to make?

MR ZENNARO: The point I was making in that introductory part was that we have seen examples and members have alluded to examples of waste transfer stations where sorting is simplified; this could be as simple as the physical conditions in the actual area and the layout of the transfer station which enables waste to be perhaps dumped into an area for some quick sorting by a builder through to different stages where they can drive a truck or a trailer along and actually pull waste out of different points and they can then sort that themselves.

In relation to the skips at the front of building sites, that issue is slightly different and local government is continually clamping down on our members' ability to position skips in front of sites where they are working, both infill development locations and greenfield locations. You could imagine that in situations where we want multiple skips to enable a sorting of waste into usable and recyclable materials, if it's impossible to place one skip in front of a building site, how you're ever going to place three.

There were some examples from members who actually had some innovative ways of getting around that, but these are people who all had a very strong ideological position on recycling and wanted to advance that. One of them there was one particular builder who places recyclable bins for each of the trades on site and, if you like, it almost becomes a little bit of a "who can do the best job" sort of environment, it enables them to monitor the recycling of goods and that's something which has apparently for him has had huge benefits. But he is someone who does have that sort of predisposition to want to go to that type of effort to recycle. The larger bins in front of sites to enable sorting is a massive issue and something we find very difficult.

MR WEICKHARDT: So if you can't sort on site, then to recover any of this product you have to sort off site. Are you suggesting that you think the government ought to support that, rather than the builder or the recycler actually doing that process for them?

MR ZENNARO: The system by which household recycling occurs at the moment, as happened in Melbourne in recent times with Visy investing a lot of money in sorting facilities, in our submission we make the point that perhaps there is a way of facilitating that type of program for the building industry given the volume of waste

we produce, and you'd imagine the profitable nature of actually recycling some of those materials. We've had those examples with some of those individual industries and I note plasterboard is one where they do like to recycle the plasterboard and actually use the components of the plasterboard to manufacture offcuts and things like that or pre-used plasterboard.

Our point was perhaps, given the nature of our industry it is going to be very difficult for us to actually put money up-front to actually invest in those sorts of programs, but we're sure with the proper facilitation there would be private investors who would see the benefit in going down that process. We see that with our assistance, it might one day be a cost saving to our members in addition to the obvious environmental benefits. In preparing our submission we had conversations with one particular local government, the City of Boroondara, who mentioned that they now recycle 58 per cent of all waste collected on the kerbside where prior to the commingled recycling occurring, that statistic was down around 20 per cent.

So if we could get to the position where a bin could be delivered to a building site - obviously not food scraps and things like that - but recyclable materials were all just thrown into a large hop and then they were sorted at a sorting facility, you would imagine that that would be something which industry would be interested in and our builders would definitely take up and see as a definite benefit.

MR WEICKHARDT: Okay. Your comment about developers taking responsibility for waste management, you've got an example which you clarified was the Victorian government themselves acting as the developer.

MR ZENNARO: That's correct.

MR WEICKHARDT: Have you had any private developer showing any enthusiasm for this idea?

MR ZENNARO: To be honest with you, no, not that I know of; there may be and if there is, I can get back to you. But in the case of Aurora, we know there was something that the private builders saw a huge advantage in.

MR WEICKHARDT: Apart from the fact that it took the responsibility away from them, if you look at the totality of the whole scheme, did it actually make sense that the developer took that responsibility?

MR ZENNARO: Absolutely. We were talking about greenfield developments where you might have three builders all working within 150 feet of each other and there is obvious advantage in the developer facilitating a waste collection system which all three of those particular builders could utilise at the same time. We understand that that might have a cost impact on the builder and there might be a cost

associated with that which you would imagine would be offset by the savings and not having to organise their own. In fact in that Aurora example, they would contact a particular contractor who would then bring the waste out and then they were all able to use it. From the members we spoke to who actually used that system, they said they were very pleased with some of the results, particularly some of the recycling results.

MR WEICKHARDT: So there was a real benefit of scale in that case.

MR ZENNARO: Yes, absolutely. If I may add, you would imagine that there would be an economy of scale benefit also to the recycler in that example, given the volume of recycled materials collected.

MR WEICKHARDT: Yes. I was a bit confused by your comments on page 5 of your submission where you attribute to us in the bottom third of the page, you say, "The Productivity Commission states Australia is running out of suitable landfill space," and then you say further down, "The Productivity Commission has acknowledged an abundance of landfill space." I think we suggested we couldn't see from the facts that had been made available to us that there was a shortage of landfill space, so I'm not quite sure why you've cited us as saying there is.

MR ZENNARO: That perhaps could be an error. I apologise in that case.

MR WEICKHARDT: All right. On page 6 you say, "Anecdotal evidence suggests on-site collection of commingled recyclable materials followed by off-site sorting could be entirely paid for by the revenue from recovered materials." In those circumstances, why does the government interfere? Why does the government need to become involved? Why doesn't it happen from the incentives to the private operators in that field to recover those resources and get a benefit from it?

MR ZENNARO: I think that in coming to that position we looked at the example of kerbside recycling and we also spoke to organisations that are currently involved in recycling building waste and the demolition contractors. The point that was made was that the facilitator, if you like, in the local government example was the fact that there would be 25,000 households in a given geographic area who all, within the basis of the same framework, provided their waste for recycling. The difference with the building industry obviously is the way work is conducted and there might be a concentration of work in a particular area and - it's not geographically concentrated, I suppose, is my point, whereby we think that maybe in the recycling industry they haven't looked at this situation and thought, "With a bit of coordination there might be a great opportunity for us to actually get involved in a program," along similar lines to Visy and these sorts of organisations in the kerbside recycling area and maybe it will require a bit of coordination from government - maybe through a body such as yourself, I'm not exactly sure where - to actually point out to industry there is

an opportunity here for a very worthwhile program to be investigated and obviously perhaps undertaken.

MR WEICKHARDT: Okay. Thank you very much indeed for your submission and thanks for coming along and talking to it.

MR ZENNARO: Thank you for the opportunity.

MR WEICKHARDT: Ladies and gentlemen, that concludes today's schedule of proceedings and indeed concludes the round of hearings for the second stage of the inquiry into waste management and resource efficiency. For the record, is there anyone else who wants to appear today before the commission? In that case I hereby adjourn and in fact end these proceedings. Thank you very much indeed.

AT 1.27 PM THE INQUIRY ADJOURNED ACCORDINGLY

INDEX