

Committee Secretary  
Senate Standing Committees on Environment and Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600

[ec.sen@aph.gov.au](mailto:ec.sen@aph.gov.au)

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Attention: Committee Secretary

### **Inquiry into the Waste and Recycling Industry in Australia**

The Councils of the Hunter / Central Coast Waste Region appreciate the opportunity to provide a submission to the Senate Inquiry into the Waste and Recycling Industry in Australia.

The attached submission was developed by the Environment Division of the Hunter Joint Organisation of Councils and the Councils of the Hunter / Central Coast Waste Region through an open consultative process with officers and senior managers.

The ten Councils of the Hunter Waste Region are:

- Central Coast Council
- Cessnock City Council
- Dungog Shire Council
- Lake Macquarie City Council
- Maitland City Council
- Muswellbrook Shire Council
- Newcastle City Council
- Port Stephens Council
- Singleton Council
- Upper Hunter Shire Council

The Councils of the Hunter / Central Coast Waste Region welcome the Australian Government's investigation into the mechanics of the waste and recycling industry. The provision of waste and recycling services to the community is viewed by local government as an essential contributor to community and environmental well-being and the waste industry itself provides essential input to national, regional and local economic development and job creation.

The waste and recycling industry is a complex system that requires a multi-faceted policy approach at all levels. A Waste Levy alone cannot solve waste and recycling issues. As a market mechanism it requires a range of complementary approaches such as land use planning, education and compliance, regulation and a range of market incentives to recover the resources in 'waste' streams.

The Hunter / Central Coast Waste Avoidance and Resource Recovery (WARR) Strategy 2017/2021 enables collaboration amongst the ten member councils in the improvement of waste management outcomes. These outcomes relate to the full range of activity from waste avoidance to waste disposal. The Strategy mirrors state-wide targets for waste

avoidance, diversion from landfill, increasing recycling, managing problem wastes, litter prevention and tackling illegal dumping.

Specifically in regard to the Terms of Reference, Councils of the Hunter / Central Coast Waste Region request that:

1. The Australian Government utilise the Waste hierarchy as a primary consideration in the development of waste and recycling policy and strategy
2. The Australian Government coordinate, through an updated National Waste Policy, a consistent national approach to supporting best practice management of landfill and resource recovery sites in all states
3. The NSW Department of Planning and Environment (DPE) and the NSW Environment Protection Authority (EPA) be encouraged to liaise more closely so that the appropriate location, functionality and future proofing of infrastructure and services is enabled
4. Support continue over the next four years for the Hunter-Central Coast Regional Illegal Dumping (RID) Squad so that member councils are enabled to address the issue of illegal dumping in the short to medium term
5. A long-term commitment by the NSW Government to maintain RID Squad funding into the future be sought so that enforcement and education activities can continue beyond 2021
6. A review of levy charges for the disposal of illegally dumped materials in NSW be undertaken
7. The Commonwealth, State and Territory Governments work together to ensure that Waste Levies across Australia are implemented in an equitable and consistent manner so that interstate transfer of materials is minimised.
8. The NSW Government be encouraged to ensure the full hypothecation of the NSW Waste Levy (collected and administered by Local Government) so that meaningful investment / reinvestment in improved resource recovery and infrastructure outcomes can be carried out.
9. National product stewardship schemes be implemented as a mechanism to drive increased resource recovery.
10. Support be provided for the development of industrial resource recovery nodes (industrial ecology) where comprehensive waste recycling, waste sorting, preparation for primary engineering and secondary engineering processes can derive benefit by complementing / working with each other.
11. The Australian Government explore opportunities to support market corrections through import controls and direct procurement of recycled materials, particularly glass.

12. The Australian Government provide support to the diversification of markets and implement extended producer responsibility (EPR) schemes.
13. A national response be developed to the Chinese 'National Sword Policy' 2017 given the potential of that policy to challenge the capacity of the recycling industry across Australia to deliver high quality recycle.
14. The NSW Minister for the Environment be encouraged to conduct a review of regulatory arrangements for the recycling industry in NSW with a view to identifying and resolving barriers to market development.
15. Both Federal and State Ministers modify the current regulatory environment to increase government support for the development of markets for recycle in NSW.
16. Market intervention through regulatory or price signals at the State level be undertaken to drive reform and progress towards agreed goals and targets.
17. Barriers to waste to energy facilities be minimised for projects that comply with environmental standards and higher order value of materials.
18. The Australian Government review the Product Stewardship Act 2011.
19. The Australian Government note the findings of previous reviews into Waste and Recycling in NSW, such as the KPMG Review of the NSW Waste and Environment Levy (2012).

Please do not hesitate to contact Mr. Bradley Nolan (Director Environment Division) on 02 4978 4024 or [bradn@huntercouncils.com.au](mailto:bradn@huntercouncils.com.au) to discuss any aspect of this submission.

Yours Sincerely

**Roger Stephan**  
Chief Executive Officer

## **Detailed Submission**

The following submission has been compiled in collaboration with the ten Councils of the Hunter / Central Coast Waste Region. Individual member Councils may also provide their own submissions with detailed local information. This submission will support and provide regional context for those individual submissions.

### **Responses to Terms of Reference**

#### **A - The quantity of solid waste generated and the rate of diversion of solid waste for recycling**

Population, consumption and waste generation per capita continues to grow every year across Australia. According to the Australian National Waste Report (Department of Environment and Energy 2016), - “In 2014/15 Australia produced about 64 million tonnes of waste, which is equivalent to 2.7 tonnes of waste per capita. Almost 60% of this was recycled.”

An MRA Consulting Group analysis released in the April 2016 proposed that - “we now recycle approximately 58% of all the waste we generate ... and we have actually seen a decline in the tonnages of waste sent to landfill (in the most progressive states).” A broad range of waste and recycling services are provided to the majority of urban and rural populations around Australia, however providing the same services to remote communities is far less viable.

In 2015/16 the councils of the Hunter / Central Coast Waste Region collectively managed over 590,000 tonnes of domestic waste materials, of which approximately 44%, or 261,000 tonnes, were recovered.

While trends in resource recovery levels across the region are positive, the region is unlikely to achieve NSW government targets by 2021 – particularly given rapid population growth and corresponding development. As waste generation increases with growth, so do requirements for its collection, reprocessing and disposal.

The waste hierarchy is the primary philosophical underpinning to strategic state-wide, regional and local approaches to waste management in NSW – continuation of this approach is critical to addressing the environmental, social and economic impacts of ever increasing consumption and disposal of finite natural resources.

1. Councils of the region request that the Australian Government utilises the Waste hierarchy as a primary consideration in the development of waste and recycling policy and strategy.

#### **B - The accreditation and management of landfills**

“In NSW, a variety of Acts and Regulations govern waste management. Those who handle, store, transport, process, recycle and dispose of waste must follow these rules to minimise harm to human health and the environment.” (NSW EPA). Activities such as storing, processing, transporting and disposing of waste, and recovering resources from the waste stream require a license. A license imposes controls on these activities to prevent them causing harm.

Landfills are designated development under the Environmental Planning and Assessment Act 1997. New or expanded landfills are unlikely to be approved unless accompanied by comprehensive plan to maximise resource recovery. Landfills must operate in accordance with a standard equal to or better than that described by the EPA's Environmental Guidelines – Solid Waste Landfills (2016).

Each of the ten councils within the Hunter / Central Coast Waste Region manages waste and recycling facilities to NSW Environment Protection License (EPL) requirements. These sites are regularly monitored and inspected by NSW EPA staff to ensure compliance with all individual license conditions. Council-run and licensed facilities are demonstrably managed to a consistently high standard.

The Vision of the Hunter / Central Coast Waste Region is:

*To implement an evolving, adaptive and sustainable waste management system for the Hunter / Central Coast Region that uses resources more efficiently to benefit the whole community.*

Based on the principle that all waste materials must be treated as valuable and finite resources, the region will utilise a 'whole of life cycle' approach to:

- deliver and advocate for a coordinated, integrated and consistent approach to waste planning and resource recovery;
- manage waste as a valuable resource;
- provide an efficient, cost effective and integrated network of services and infrastructure;
- encourage innovative thinking and approaches to resource recovery;
- ensure an integrated / holistic approach to compliance, enforcement and education on illegal waste disposal.

For many years, member councils have been proactively working towards best practice environmental management on both a local and regional level. And in response to this aspiration, Objective 8.1 - *Best practice management of new and existing services and facilities* was incorporated into the new Infrastructure and Planning theme in the Hunter / Central Coast WARR Strategy 2017-21.

2. The Australian Government must coordinate a consistent national approach to supporting best practice management of landfill and resource recovery sites in all states, through an updated National Waste Policy
3. Councils recommend that the NSW DPE and the NSW EPA liaise more closely to ensure the appropriate location, functionality and future proofing of infrastructure and services are enabled.

## **C - The extent of illegal landfilling**

The Hunter-Central Coast Regional Illegal Dumping (RID) Squad, is a partnership among nine local councils and the EPA, and has operated since 2014. To date, the RID Squad has investigated 147 reports of potential illegal landfilling on private land within its area of operation. Of these, 111 were at a unique address. In 35 reported incidents, the offender was identified as a corporation. Seventy per cent of these incidents involved construction and demolition waste. Twenty per cent of incidents were household waste, which includes skip bin waste.

The continued devolution of responsibilities to Local Government can lead to problems in this area. NSW councils are being charged the Waste Levy for the proper disposal of large scale, illegally dumped waste. This is an added burden, on top of the existing costs of detection, collection and transport of illegally dumped materials.

4. Continued support for the Hunter-Central Coast RID Squad will enable member councils to address this issue for the next four years. However, a long-term commitment by the NSW Government to maintain these funding levels into the future, supported by the Australian Government, would ensure continued enforcement and education activities beyond 2021.
5. Member councils request the review of levy charges for the disposal of illegally dumped materials in NSW.

#### **D - The role of landfill levies in determining the end destination of material, including the hypothecation of collected levies for enforcement and waste diversion purposes**

The purpose of the NSW Waste Levy is as an economic driver for waste avoidance and resource recovery. The Levy is applied to all materials within the regulated area. It acts as a financial incentive to divert materials from landfill, and to incentivise materials recovery. It also applies to residual materials that are sent to landfill following recovery or reprocessing, such as contaminants in the recycling stream.

The levy alone cannot solve waste and recycling issues. As a market mechanism, it requires a range of complementary approaches such as land use planning, education and compliance, regulation and a range of market incentives to recover the resources in 'waste' streams.

Waste levies are primarily designed to drive materials out of landfill and into more sustainable and economically viable alternatives. However, this also creates competing drivers for state governments where a waste levy that is being used to drive resource recovery can also become a source of general income – and arguably a de facto tax - to which the state quickly becomes addicted. Balancing these competing interests is a crucial element to the administration of a waste levy in any jurisdiction.

Our understanding of the 'hypothecation of collected levies' is that the 'hypothecated' portion of a waste levy is that portion which is returned to, or reinvested in, environmental and waste management activities rather than directed back into consolidated revenue. Hypothecation can be investment back to state-based waste management activities such as the WLRM Initiative, or directly back to local government to for use in local waste management activities such as waste avoidance, reuse, recycling, education and enforcement activities.

Requests for the 'full hypothecation' of the waste levy in NSW date back to at least 1997, where the former Local Governments and Shires Association (LGSA) lobbied heavily and consistently on the issue.

Waste levies in NSW have risen from \$22.70 per tonne in 2005-06 to \$138.20 per tonne in 2017/18 for the Sydney Metro Area (including 6 of the 10 councils in the Hunter / Central Coast region) and \$0 per tonne in 2005/06 to \$79.60 per tonne for many regional areas (including 4 councils in the Hunter / Central Coast region).

This equates to a 501% increase over 12 years for councils in the SMA. During 2016/17 the Hunter / Central Coast Region collected approximately \$60 million in levy payments, of which a likely maximum of only 10% was hypothecated through the WLRM Initiative.

Individual Councils, and local government more broadly across NSW, have consistently argued the case that a major portion of the waste levy, which is collected and administered by them on behalf of the state, should come back to the communities who generate that income.

The waste levy has produced some perverse outcomes. Increased levy rates can result when waste is transported across local government boundaries to gain improved resource recovery outcomes. For example, if residual waste from Dungog Shire is transported a relatively short distance to the AART facility in Raymond Terrace (Port Stephens) for resource recovery, it accrues a greater cost for the disposal of residual waste even though a 50% resource recovery outcome is achieved – rendering it unviable.

In another example of perverse outcomes, a council such as Port Stephens which uses a 2 bin system, with waste going to AWT for enhanced recovery, is not able to send residual materials to Energy from Waste (EfW) treatment under the current NSW EfW Policy.

The waste levy in NSW has progressed beyond the point at which it was expected to be most effective, and is also proportionally being used to a far greater extent to fund general services than core environmental programs. The NSW Review of the Waste and Environment Levy (KPMG 2012) states that:

*“The levy price has therefore been set to achieve the objective of making the alternatives to disposal of waste at landfill more economically attractive on average. The OEH reports that economic modelling indicates that the levy will achieve this objective at a price of around \$120 per tonne in the SMA and ERA, and \$71 per tonne in the RRA. In 2010-11, the levy raised approximately \$353.2 million.*

More broadly, the current situation in Australia where highly variable and inconsistent waste levies across the states and territories lead to the interstate transport of waste needs to be addressed. The long-distance transport of waste not only creates problem for the communities at which it ends up, but creates hazardous road conditions via increased truck movements as well as long-term detrimental impacts on road infrastructure leading to increased costs in maintenance and upgrades.

6. Waste Levies across Australia should be implemented in an equitable and consistent manner to minimise interstate transfer of materials.
7. Councils of the Waste Region continue to request the full hypothecation of the NSW Waste Levy (collected and administered by Local Government) to reinvest in improved resource recovery and infrastructure outcomes.

## **E – The role of different incentives and collection methods in determining the quality and quantity of material collected for recycling**

Councils in the region collect recyclable materials in three main ways:

- a. Kerbside collections for dry recyclables such as paper, cardboard, steel, plastic, aluminum, glass and organics;
- b. Drop-off and self haul facilities for recyclables, electronic waste (e-waste) and problems wastes such as batteries and oils;
- c. Kerbside bulk clean-up services

There is widespread agreement amongst councils in the Waste Region that specific initiatives, many of which are already underway, will create significant improvements in landfill diversion and resource recovery. These include the use of:

- a. Public place recycling systems that encourage the development of social norms in improved away from home behaviours by the community;
- b. 3 bin organics collection systems that include garden organics (GO) and eventually food and garden organics (FOGO) – with GO systems already in place in 7 councils across the region and FOGO systems planned in 4 councils across the region;
- c. Alternative Waste Technology (AWT) processing of 2 bin systems – such as the SUEZ ARRT Facility in Port Stephens;
- d. Combining AWT systems with energy from waste for residual waste – this option was modelled for the region in 2016 and is supported with the caveat that all best value recovery opportunities are exhausted before the diversion of material to energy generation;
- e. The use of 360L recycling bins to maximise recyclables collected – already in use in Central Coast, Cessnock, Lake Macquarie, Port Stephens and Singleton Councils
- f. Strong local and regional education initiatives that reduce leakage of recyclables and reduce contamination – currently implemented by all councils and the region

The ultimate success of the initiatives is contingent on the availability of appropriate processing infrastructure and end markets to close the loop on resource value maximisation.

8. Member councils support the delivery of national product stewardship schemes as a mechanism to drive increased resource recovery.
9. Councils in the region request support for the development of industrial resource recovery nodes (industrial ecology) where comprehensive waste recycling, waste sorting, preparation for primary engineering and secondary engineering processes can benefit by complementing each other.

#### **F – The destination of material collected for recycling, including the extent of material reprocessing and stockpiling of collected material**

There is limited reprocessing infrastructure in the region for dry recyclables, with two MRF facilities taking materials from almost 1 million residents. The local and regional markets for recycled materials are relatively immature, and a large proportion of dry recyclables are sent overseas for recycling .

This includes markets for materials such as glass and paper as well as markets for recycled organics materials. Hunter Councils is working collaboratively with member councils and the EPA to address market development issues.

Given the immaturity of local / regional markets and variations in global commodity prices, much of the glass generated in the region glass is currently being stockpiled in Victoria, awaiting improvement in market conditions.

Markets for many other recyclable materials are likely to be affected by global conditions such as the recent decision by China about its intention to ban much of the waste currently received from overseas through the National Sword Policy. It will become increasingly essential to collect and supply only the best quality clean recycled materials in commodity streams that they dictate.

One of the six key areas of Australia's National Waste Policy is to improve Australian markets for recovered resources. A key role for the Australian Government is to provide leadership through the Council of Australian Governments to support the Australian recycling industry through harmonisation of state-based regulatory arrangements.

10. The Australian Government must explore opportunities to support market corrections through import controls and direct procurement of recycled materials, particularly glass.
11. Councils request Australian Government support to diversify markets and implement extended producer responsibility (EPR) schemes.
12. The Chinese 'National Sword Policy' 2017 will pose a challenge to the recycling industry across Australia to deliver high quality recycle. This must be addressed at the national level.

#### **G – The current economic conditions in the industry, including the market for material collected for recycling**

The current regulatory environment, low price of virgin materials, and community enthusiasm to recycle (rather than avoid waste generation) are all putting pressure on the recycling industry. Although it remains cheaper in NSW to recycle rather than landfill, companies involved in processing and marketing recovered recyclables are under severe financial strain.

The eventual end markets and corresponding commodity prices for materials dictate whether it is practical and viable to collect the materials for recycling or to landfill them. A recent example relates to the drop in commodity prices for ferrous scrap metals. Although these prices are now on the rise again, councils in the region had to make strategic decisions as to whether to continue to collect metals for recycling or to landfill them.

With the tonnage of recycled organics materials surging due to enhanced collections systems across the region, it is essential to have both processing capacity and end markets for these materials. As a result, research has been undertaken to inform the development of a Hunter / Central Coast Recycled Organics Roadmap.

Councils in the Waste Region have committed to working collaboratively to identify opportunities to use recycled products in their civil works programs, particularly crushed glass for pipe bedding material and road base. In addition to this direct action, Councils request that the Australian Government conducts a review of import arrangements for virgin materials that compete with materials generated by the Australian recycling market, particularly glass

13. Councils in the Waste Region request the NSW Minister for the Environment to conduct a review of regulatory arrangements for the recycling industry in NSW and for support to identify and resolve barriers to market development.

14. Member councils request both Federal and State Ministers modify the current regulatory environment to increase government support for the development of markets for recycle in NSW.

#### **H – The transportation of solid waste across state boundaries**

The transport of solid waste across state boundaries is clearly a function of disparate and inconsistent waste levies across jurisdictions, although this is not a matter which local government can directly influence.

15. Member councils recommend that a consistent approach to waste levies by the Australian government could significantly diminish many of the problems associated with the transport of waste across state boundaries.

#### **I - the role of the Australian Government in providing a coherent, efficient and environmentally responsible approach to solid waste management, including facilitating a federal approach**

The National Waste Policy (2010) provides an agreed and overarching framework for waste management and resource recovery in Australia. However it would be far more effective if delivered collaboratively by both Federal and State jurisdictions. The alignment of policy could also be a key driver to facilitate reform.

16. Member councils believe that market intervention through regulatory or price signals at the State level, is required to drive reform and progress towards agreed goals and targets.

#### **J – Any other related matters**

Local Government accrues significant costs through the delivery of operational, compliance and service delivery functions. The NSW Local Government Act requires that councils can only charge residents for the costs of services provided. This does allow councils to generate reserves for future responsibilities such as landfill closure and long-term monitoring, but does not cover the costs of the delivery of a myriad of devolved responsibilities such as the disposal of illegally dumped waste, litter prevention, collection and disposal or public place recycling.

National support for the extended producer responsibility (EPR) schemes would complement council service provision and address market development issues by influencing the generation of waste in the first instance. The Australian Government has provided little support to product stewardship schemes post the implementation of the National TV and Computer Recycling Scheme. An opportunity to reinvigorate activity in this sphere exists through a review of the Product Stewardship Act 2011.

NSW councils consider that EfW is a viable option to manage residual waste if no higher order resource recovery opportunities are available, and assuming that appropriate environmental controls are in place. However, a restrictive Waste to Energy Policy creates barriers to the development of EfW facilities.

17. Member councils recommend that barriers to waste to energy facilities are minimised for projects that comply with environmental standards and higher order value of materials.
18. Member councils request the Australian Government reviews the Product Stewardship Act 2011.

19. That the Australian Government notes the findings of previous reviews into Waste and Recycling in NSW, such as the KPMG Review of the NSW Waste and Environment Levy (2012).