



Zero Waste SA
 GPO Box 1047
 ADELAIDE SA 5110
 26th March 2007

Attention: Angus Mitchell

Dear Sir,

Review of Solid Waste Levy

The Australian Council of Recyclers (ACOR) welcomes the opportunity to contribute to the Review of the Solid Waste Levy and offers the following response for your consideration. Background information on ACOR is provided in Appendix 1.

ACOR commends the South Australian Government and Zero Waste SA for undertaking this Waste Levy Review, which clearly demonstrates that South Australia is serious about increasing resource recovery and reducing waste to landfill.

However, while waste levies can act as an incentive for recycling when imposed on waste generators, it also hinders recycling when imposed on the residual material that generally is a by-product of recycling. While recyclers strive for the highest recovery targets possible, these are ultimately determined by the economics involved and waste levies, when imposed on recycling residuals directly and negatively affects these economics. It should be remembered that future gains in recycling will come from materials that typically have high waste, low recovery ratio's as a result of the low value materials increasingly used in manufacturing and the poor economics of recycling such streams will become even less attractive with a waste levy imposed on recycling residuals.

ACOR believes that governments need to move from "waste strategy" to "resource management strategy" and that market based systems need to be developed for rewarding recycling rather than merely punishing waste disposal. The "simple levy" approach proposed for South Australia will punish recycling as well as punishing disposal. It will not have a direct impact on increased recycling which a more targeted scheme could have.

ACOR members currently receive and process 12.9 million tonnes of material nationally which represents 86% of all recycling activity in Australia. We are directly impacted by any proposed changes to waste levies applied on residual material. While every effort is made to recover all possible resources we currently generate 671,700 tonnes of residual (5% of the total material processed) which must be landfilled.

Reaching a Zero Waste goal requires a 'nature as model' approach to break the cycle of production, consumption and disposal and invest in technology to convert end-of-life 'wastes' back into materials and energy that can be reused within the economy, as shown in the figure below. In Australia the required technology interventions are provided by ACOR members.

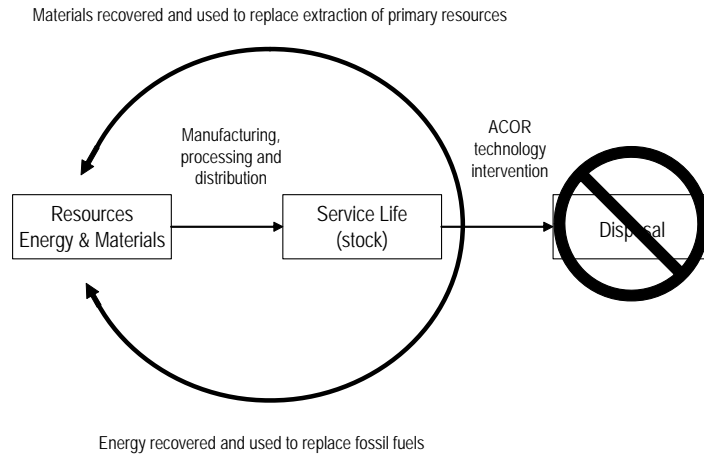


Figure – Technology intervention by ACOR members creates cyclical flow of materials and energy

The proposed levy increase is not directly relevant to a Zero Waste strategy because it is merely a waste management strategy.

In order to maximise resource recovery and achieve the highest resource value of Australia’s secondary materials industry needs appropriate policy settings by government, planning and provision of infrastructure and elimination of market failures where the externalised costs provide an unwarranted competitive advantage to landfill over resource recovery.

The Resource recovery sector plays the most significant role in reducing waste to landfill and any measures adopted with this goal in mind should carefully assess the impacts on the recycling industry. The Hyder report devotes significant space to impact assessment but nothing to adverse impacts on the recycling industry.

The Hyder report recommends the levy be kept simple to administer and to avoid differentiation of the levy based on the waste type. The strategic naivety of this approach is that it “rewards” the diversion of a tonne of waste at the same rate as a tonne of hazardous waste or a tonne of biologically active waste. Such a “simple” levy can’t discriminate between processes which abate significant amounts of greenhouse gases and those that increase global warming while trying to avoid the waste levy.

Simply put, recyclers who pay for their inputs will be adversely affected by landfill levy increases on their residuals. This will lead to reduction in purchase prices for their inputs, especially on the difficult-to-recycle streams that SA needs to target to reduce waste to landfill. When the commodity cycle dips, this will result in reduced recycling levels.

Figure 4-3 of the Hyder report shows that even though Denmark doubled its landfill tax from 1996 to 1999 (to nearly €50), there was virtually no impact on the recycling rate. Levies are blunt instruments and will tend to drive lowest-common-denominator recycling.

The NSW levy is uniformly imposed on all forms of waste to landfill (no matter what their environmental impact) on the basis of simplicity of administration. Undifferentiated levies used primarily to raise revenue (as applied in NSW) have the following consequences:

- do not differentiate on the basis of environmental impact (for example the same levy is applied to one tonne of concrete as to one tonne of electronic scrap, although the environmental impact is markedly different)

- do not directly increase or reward recycling as they act only to punish waste disposal
- represent a 'bottom line' cost to recyclers for the management of recycling residues
- may decrease recycling of commodities that are currently only marginally economic (for example the recycling of cars in rural and regional locations) and hence reduce potential eco-service benefits
- act as an economic disincentive for innovative improvements in recovery where it is currently either technically impossible or uneconomic
- carry the risk of increased illegal dumping and other litter
- requires additional regulatory authority with the legal ability to prosecute offenders.

Whilst levies do encourage more material to be offered to recyclers, this material may not be economic to recover due to higher waste content or distance away from recycling infrastructure. With mixed wastes, it is generally cheaper to landfill than to reprocess it as a secondary resource and society loses the commodity value and embodied energy of the material.

Currently there is no reward for the recycling activity other than the sale price of the recovered commodity which fluctuates given the global economy in which we operate. Recovered resources compete in the market directly with virgin resources. Waste levies push up the price of recycled resources, giving virgin resources an advantage in the market. Yet recycled materials offer far superior environmental benefits over virgin-sourced materials including significantly lower greenhouse emissions, less air and water pollution, conserves water, energy and landfill space.

The waste levy is a cost of doing business but can remove the incentive to recover marginally profitable material which is typically material in rural and regional areas when the majority of the recycling infrastructure is located in the metropolitan areas or materials with higher waste content. Recyclers only recover materials where there is a profit making opportunity however for highly-mixed waste streams these resources are currently lost from the economy as the amount of residual and the payment of the full levy on these quantities renders the recovery non viable and unsustainable.

ACOR firmly believes that to encourage investment in technology and infrastructure requires further incentive rather than penalty. For example if an organisation was to process residual waste into a stabilised material that meets pre-determined criteria then such processes and outputs should be credited a levy offset equal to the tonnage recycled in the resource process or levied at a reduced rate.

In relation to the differential levy between regional and metropolitan areas, while we understand the rationale we would highlight the potential for waste to be transported from metropolitan to regional areas. This will especially occur if the landfill gate price and levy differential is greater than the transportation and operational costs involved in such a movement of waste.

ACOR in principle supports the proposed levy increase of \$55 per tonne in the financial year 2013-2014 only if offsets for recycled materials are included and only if the funds raised are hypothecated to support and promote further achievements in resource recovery, to ensure that recycling operations are not negatively impacted through increased costs. At a minimum we wish to see 50% of the levy funds continue to be diverted to the Waste to Resources Fund administered by Zero Waste SA. To date the organisation has a sound record in the administration of grants for local government, community and industry to encourage and stimulate a sustained effort in resource recovery and waste minimisation.


ACOR suggests that ZWSA should explore the following alternate schemes currently in operation in the United Kingdom and undertake an assessment of their suitability for rewarding in the South Australian context. For example:

- Landfill Allowance Trading Scheme (LATS)
- Differentiated landfill tax on the basis of whether the material is biologically active or inactive
- Packaging Recovery Notes
- Aggregates Levy.

In summary, ACOR supports:

- the development of self funding mechanisms to overcome market failure and to reward the benefits provided by the resource recovery sector
- differentiated levies that do not penalise recyclers' residual material at the same level as untreated waste
- hypothecation of monies raised through levies to support resource recovery activities including financial support for greater investment by the private sector in technology and infrastructure

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne Prince', with a stylized flourish at the end.

Anne Prince
Chief Executive Officer

Appendix 1 ACOR Background

The Australian Council of Recyclers (ACOR), established in 1983, is Australia's peak industry association representing companies involved in recovering secondary resources. ACOR's mission is to maximise resource recovery and achieve the highest resource order of Australia's recovered materials. Our guiding principles to achieve our mission include:

1. *To encourage governments, industry and the community to take actions that promote resource recovery, recycling and optimise the profitable recovery and recycling of secondary materials.*
2. *To facilitate the removal of barriers to economic and sustainable recycling and promote changes to legislation and government policies where such changes will benefit members*
3. *To encourage uniformity of government policy nationally in relation to resource recovery and recycling and promote policies which are non prescriptive in nature and equitable in outcomes in order to open up opportunities to effectively reintroduce secondary materials for reuse.*
4. *To maximise the opportunity of substituting recycled materials for virgin raw materials and closing the recycling loop through members producing a range of quality recycled raw materials, in accordance with locally and internationally recognised and developed materials specifications.*

In summary, we seek to encourage governments, industry and the public to take actions that advance the optimal use of Australia's secondary materials and to facilitate the removal of barriers that hinder effective recycling and reprocessing.

Through our members we reprocess more than 12.99 million tonnes of material and directly employ over 8,000 people in resource recovery activities. Current ACOR membership spans the following sectors:- aluminium, batteries, cardboard, computers, construction and demolition material, electronics, ferrous and non-ferrous metals, glass, mercury, paper, newsprint, plastics – HDPE, LDPE, LLDPE, PET, PVC , tyres and whitegoods.

ACOR's members include:

1. Advanced Recycling Australasia
2. Alcoa Rolled Products Australia
3. Alex Fraser Group
4. AMCOR Paper Recycling
5. Astron Plastics
6. Australian Vinyls
7. Bluescope Steel
8. Fisher & Paykel
9. Global Renewables Ltd Norske Skog
10. Norstar Recyclers
11. OI Packaging
12. Resourceco
13. Sell and Parker
14. Sims Group
15. Smorgon Steel
16. Tic Group
17. Visy Recycling