



ACOR SUBMISSION: REVIEW OF PRODUCT STEWARDSHIP ACT July 2018

Australian Council of Recycling (ACOR) is the peak body for the recycling sector with member companies operating across the spectrum of recycling activities of:

- recycle collection, sorting, reprocessing and recycled content product manufacturing;
- recycling supply chains in the municipal, commercial & industrial, and construction & demolition spheres, and;
- recycle streams from domestic kerbside materials to e-waste materials.

It is estimated that the Australian resource recovery sector currently employs approximately 50,000 people, adds approximately \$20 billion of value to GDP (or about .5%). It significantly contributes to Australia's achievement of an approximate overall recycling rate of around 60% which ranks it around 17th in the world.

The recycling sector is significantly self-reliant with only some \$50 million of public money more than \$1 billion collected annually in waste disposal levies being re-invested in resource recovery infrastructure.

ACOR members are involved in facets of delivering current voluntary and co-regulatory product stewardship (PS) schemes including oil, TVs and computers, mobile phones, and tyres, as well as batteries (which essentially sit outside any framework at present).

This document is ACOR's submission to the review of the Product Stewardship Act 2011.

ToR1

- *Are the objects of the Act still relevant and appropriate?*
- *Are there significant gaps in the objects and the product stewardship criteria, e.g. are there possible outcomes of product stewardship schemes that would be desirable but would not fit under the existing legislation?*
- *Are existing product stewardship schemes such as the National Television and Computer Recycling Scheme, and Australian Government accredited voluntary arrangements such as MobileMuster and Fluorocycle effective in addressing the objects?*
- *Is the design of the Product Stewardship Act a significant determining factor, either positive or negative, in the effectiveness of product stewardship, or are other factors more important?*

ACOR believes that the current objects of the Act remain relevant and appropriate.

It does, however, advocate an expansion of the objects on a triple bottom line basis to reflect and further promote the social and economic benefits of PS schemes. For example, many participants in current PS supply chains are regionally based including in the case of oil, tyres, e-waste and batteries where their operations lead to both jobs and to community cohesion, particularly in the context of changing regional economies.

ACOR believes that the performance of current voluntary and co-regulatory arrangements under the Act has been generally positive, but ultimately hampered in some cases by a lack of necessary resources for schemes' operations. Due to on-going concerns about free-rider impacts, coupled with growing importation of many categories of products, there remain strong imperatives for waste generators to minimise the costs of their involvement in a given PS scheme. Limited resources, in turn, limit schemes' promotion, schemes' recovery rates, and quality of schemes' recycling performance.

Due to this necessary focus on competitiveness through cost containment, PS activities become somewhat limited to product recovery and recycling, as opposed to "upstream" activities such as design and manufacture of products, or their specification by retailers, to avoid and reduce waste generation.

Therefore, ACOR supports approaches that do more to eliminate the prospect of free-riders in PS and do more to oblige product manufacturers and retailers to take a pro-active approach to PS – as opposed to the current tendency to outsource and essentially commoditise its implementation to as-low-as-possible-cost, end-of-life scheme providers.

Because environmental impacts are generally under-costed in real terms, the financial viability of PS schemes based solely on “organic” supply and demand factors for derived commodities is often marginal at best. To that end, the design of the PS ACT is critical if we as an Australian society believe that resource utilisation should be optimised and that the future structure of our economy needs to be more circular and more self-reliant (especially in the context of growing de facto “protectionism” by our major trade partners).

ToR2

- *Has the accreditation of voluntary product stewardship arrangements been beneficial to those arrangements, their participants and stakeholders?*
- *What would support the development of greater value in the accreditation process?*
- *How can the accreditation process for voluntary product stewardship schemes better support the development of successful product stewardship schemes?*

ACOR supports the accreditation of resource recovery services, be it for voluntary PS arrangements or more generally. Accreditation provides greater certainty to the recycling industry and to its customers, particularly through ensuring appropriate standards of service delivery. This certainty, in turn, supports a better investment climate in resource recovery infrastructure and in the development of new technologies and new services including for different waste / resource streams.

At the same time, accreditation (as a result of appropriate standards of service) assist governments on behalf of the community to deliver public policy objectives including landfill diversion, recovery and recycling, and greenhouse gas emission targets. To that end, it is a beneficial use of public funds for governments to invest in supporting accreditation activities, including those within the ambit of the PS Act.

In developing accreditation models that best support successful product stewardship schemes, it is important to note that many resource recovery businesses are “integrated” in several ways, including along a value chain of collection, sorting and reprocessing, or across several material types, including businesses that recover and reprocess both tyres and e-waste. Therefore, the optimal situation is to accredit their business capability as opposed to apply different accreditation approaches to different processes or by material stream.

With regard to the Ministers’ annual product list to encourage action on product stewardship, ACOR considers this measure to be an abject failure. There is very little evidence of substantive action toward increased product stewardship activity – particularly by product manufacturers – by the inclusion of items on this list over a long period of time.

The example of batteries is perhaps most pertinent where almost all the PS activity has in fact been largely entrepreneurial by resource recovery operators, a leading retailer, and State Governments willing to invest public monies into infrastructure.

The reality is that the list does not send a strong enough signal, on the one hand, to product manufacturers or product retailers to participate in PS or, on the other hand, to the recycling industry in the form of certainty and confidence in investment. It is essentially like an infrastructure pipeline by a State Government, but with no timeframes or funding commitments attached, and treated by the market accordingly.

ACOR is hopeful that the development of the Product Impact Management Strategy during the first half of 2018 will be successful in re-dressing this unproductive situation. ACOR supports the inclusion of principles of assessment, action and escalation for priority issues, and establishment of a work plan to design product stewardship action for implementation. ACOR further supports the delineation of the Strategy into regulated and voluntary products.

This is vital as product streams are not static and their footprint is changing and, in some cases, increasing in environmental and other risks. Batteries are an important example. Battery recovery is some 3% in a purely voluntary system compared to more than 70% in regulated European systems at the same time that domestic consumption of handheld batteries is increasing by some 300% per year due to our society's growing and rapid digitisation, e.g., the average Australian now owns between three and four digital devices, as well as numerous other battery-powered devices including tools and appliances.

As is now documented, these batteries are increasingly presenting a fire and occupational health and safety risk in conventional Materials Recovery Facilities (MRF), scrap metal processing plants and landfills where they explode under certain, fairly common conditions. A typical western Sydney MRF reports that it can have some 70 handheld batteries per week and some 30 car batteries per week; the below photo is from that facility in May of this year.

ToR3

- *Are periodic updates to the scaling factors an adequate way of dealing with the export of products for reuse, or should further consideration be given to direct reporting of export for reuse?*
- *Are periodic updates to product codes and conversion factors an adequate way of ensuring the scheme remains accurate and fair for to liable parties, or should consideration be given to other approaches to allocating liability?*
- *Is intervention needed to ensure equitable distribution of collection services around Australia? If so, what should be done?*
- *Should co-regulatory arrangements be required to report on the amount material sent for energy recovery?*
- *Should the amount of material able to be sent for energy recovery be increased beyond the current, implied limit of 10 per cent?*
- *Should the scheme be expanded to include other products? If so, what criteria should be used to determine what the products should to be included, and what factors would need to be considered in expanding the scheme?*
- *Are there improvements you would like to see to the scheme's administration, monitoring and compliance processes? If so, what are the highest priorities?*

It is beyond the scope of ACOR's submission to provide substantive or detailed comment on the operation of the current the National Television and Computer Recycling Scheme.

More broadly, ACOR supports the principle of efficiency in the delivery of PS. In particular, the logistical economics of PS can best be optimised through scale and aggregation in multi-material collection points and multi-material sorting / reprocessing facilities. Multi-material collection points also provide consumers with the convenience that is necessary to sustain higher participation and recovery rates for materials.

To that end, ACOR encourages the consideration of four possible models that would require regulatory underpinning in order to be operationally and financially sustainable:

- "piggy-backing" of other e-waste – or products with a cord, plug or battery – on to existing TV and computer initiatives;
- establishment of drop-off points at major retail premises that sell these products;

- establishment of drop-off points that align with some of the infrastructure being rolled-out for the purposes of beverage container deposit/refund schemes such as in NSW, ACT, SA, WA and Queensland;
- introduction of dedicated “pink bags” into kerbside packaging recycling systems for source segregation of smaller e-waste and battery items.

Moreover, it is worth considering the provision of public funding for the establishment of centralised sorting and distribution centres for PS materials, as opposed to collection, on a capital city basis.

Such options should be evaluated against criteria for complexity, system cost, material integrity, stakeholder engagement and end markets.

ToR4

- *Has the interaction between the Product Stewardship Act (including the National Television and Computer Recycling Scheme, accredited voluntary product stewardship arrangements and work on products listed on the Minister's product stewardship list) and state, territory and local government legislation, policy and programs been effective?*
- *How can interaction between the Product Stewardship Act and state, territory and local government legislation, policy and programs be enhanced?*
- *To what extent can, or should, product stewardship schemes support broader government objectives, and assist in adapting to changes in market conditions?*

There is limited evidence of substantive results in PS arising from interaction between the Commonwealth and other jurisdictions. It appears that the Commonwealth, which ultimately has responsibility for the legislation and its objects, has been under-resourced to deliver against its role. Alternatively, where States have had the lead responsibility for progressing a given product into a PS scheme, it is clear that officers’ “day jobs” significantly compete against what is seen as a “Federal” task.

There is a strong contemporary case for change in this regard and for the Commonwealth to take a much stronger role in pro-actively progressing – with appropriate resources – PS schemes.

Namely, the China Sword policy on the part of the People’s Republic of China needs to very urgently and significantly factored for. While China Sword’s ambit is largely on paper and packaging products, especially those collected from the household sector, there is every reason to believe that this is the beginning of an overall trend and a massive structural shift in international recycling activities and markets. The Bureau of International Recycling

provided Chinese reports in June of policy intentions to potential limit solid waste imported into China to zero by 2020 – regardless of material type.

It is now timely to begin looking at PS and resource recovery activities through the perspective of sovereign risk to an Australian industry and the benefits that it generates. It becomes increasingly imperative for Australia – through the Commonwealth – to adopt policies that secure a domestic industry and ensure that it can continue to deliver services that have overwhelming community support and active participation.

Indeed, the China situation is reason to also reconsider Australia’s “shared responsibility” approach to paper and packaging waste as enshrined in the National Packaging Covenant. As export markets dry up – including with a flow-on effect from China’s unilateral decisions – it becomes increasingly untenable to operate kerbside recycling systems in Australia without additional cost shifts to local government (in the form of higher rates).

The cost of collection and sorting of kerbside packaging and paper recyclate is now often higher than the value of the commodities extracted for reprocessing and remanufacturing, and thereby incentivises the use of virgin materials. Waste disposal levies do not always have a significant enough direct impact on kerbside packaging and paper to ensure the relative competitiveness of recycling activity.

Therefore, under the PS Act and under the Product Impact Management System, it has become appropriate to consider further regulatory measures for product manufacturers and retailers for packaging items (not including beverage containers covered by CDS jurisdictions).

It is additionally poignant to do so given the stagnating recycling numbers for Australian packaging which has gone from a recycling rate of 67.3% in 2011 to 65.3% in 2016, according to the Australian Packaging Covenant Organisation.

Particularly of concern is the situation with plastic packaging which currently has a recycling rate of only 31%, according to the Australian Packaging Covenant Organisation, and where 57% of the 263,000 recovered tonnes were previously exported for recycling – an off-take that has been significantly impacted on in terms of either availability or price.

Adding to the situation is the fact that new recyclability and other targets (all packaging to be 70% recyclable, re-useable or compostable by 2025) have been offered by the Australian Packaging Covenant Organisation and as accepted by the Meeting of Environment Ministers (MEM) in April 2018. While higher recycling is a good thing, ACOR projects that some additional 2 million tonnes of material may need to be recovered in line with such a target – in a context where 1 million export tonnes have now essentially been strongly restricted and reduced in value by up to \$150 per “recyclate basket” tonne.

Without substantial investment in domestic sorting and reprocessing infrastructure, there is simply no way that such targets will be met and ACOR has therefore developed a plan for a \$150 million one-off investment program to reduce export tonnes by 50%.

In this context, the policy argument in favour of PS is that product manufacturers and retailers have the management discretion and supply chain leverage to design, manufacture and sell products in such a way that minimises the net environmental cost of

packaging (including the inclusion of recycled content), as opposed to local governments or the recycling sector who have no control.

It is important at this time for Governments to develop concrete milestones and consequences for recycling performance of Australian packaging, including in consideration of APCO's draft plan for the targets it has offered, and to prepare regulatory PS measures that may need to apply in the next 12 to 24 months if those milestones are not being substantively achieved. A consequence of policy failure may well be the unsustainability and discontinuation of Australia's kerbside recycling system – including as initiated by Councils - in certain parts of the country and under certain contractual provisions.

A better approach is a collaborative outcome on the future of Australian packaging recovery between the food, grocery, packaging and retail supply chain, governments and the resource recovery sector that transparently recognises system costs, how to minimise them through standardisation, and how to share their remaining risk accordingly.