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Sustainability Fund Priority Statement Review
Department of Environment, Land, Water and Planning
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East Melbourne VIC 3002

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To Whom It May Concern,

The Australian Council of Recycling (ACOR) welcomes the opportunity to comment on the Sustainability Fund- Priority Statement.

ACOR is the peak national industry representative of the resource recovery industry representing over 35 significant companies, covering 80% of the industry and some local governments. According to the latest industry data, the resource recovery industry nationally recovered 31.9Mt (i.e. worth of estimated \$14.2billion) in resources in which Victoria contributed 8.27Mt (i.e. worth of estimated \$3.47 billion) in 2014-15¹. We represent the industry in advancing its central contribution to developing a profitable and sustainable circular economy.

Since the establishment of Sustainability Fund (the Fund) in 2010, there has been approximately than \$500 million of accrued levies unspent in the Fund. The Fund should be fully utilised to:

- Reduce waste disposed to landfill through diverting waste from landfill to recycling;
- Support the entire supply-value chain, including waste generators, collectors, processors and recyclers/manufacturers to maximise resource recovery and their application to highest and best use;
- Provide incentives to businesses, industries and local councils to upgrade/expand existing infrastructure and services to increase recycling capacity and optimise efficiency; and

¹ Inside Waste Industry Report 2014-15

- Remove any regulation and financial burdens which impede legitimate recyclers to operate their businesses.

Despite the strategic priorities stated in the priority statement, the Government should provide waste levy exemption or rebate to unavoidable recycling residues, such as timber, mattresses and shredder flock, which are inherently not capable of being recycled based on current best practice. The practice of applying the levy to unavoidable residues is actually a tax on the resource recovery industry, which is completely contradictory to policy, regulatory and legislative interventions to increase recovery rates, reduce stockpiles and support local reprocessors.

ACOR members are highly impacted by the levy liability which imposes a high proportion of business costs and as structured has a perverse outcome of undermining both volume of material recovered and employment in the sector and through the supply chain (e.g. downstream employment in steel mills in Victoria). Any levy that applies to recycling residues should be either subject to exemption or rebate to the efficiency with which the recycling process recovers the resource for recycling. For instance, an 80% recycling yield should be awarded a rebate of 80% of the levy. The recycling yield of all major material streams are well known with benchmarks easily established based on best practice. An ongoing review of these benchmarks should be established to ensure that incentive for high performance and innovation under the levy system is not diluted.

In general, ACOR supports the strategic priorities as they relate to resource recovery. We believe that the expenditure of Fund revenues in a strategic and coherent manner could radically increase encourage material recyclability, improve markets for recycled and recovered materials by making alternatives to landfill more viable and cost competitive, and most importantly, support jobs and investment in Victoria's resource recovery industry in the context of increasing waste generation from imported products.

As Victoria's Waste Management Group's already receive a set proportion of the levy (a position unique in Australia spent on a wide range of activities including advocacy), additional diversion of levy revenue to groups or local governments should be resisted. The cost base of local government can be reduced by lowering the cost base of the resource recovery industry who provides the services they contract. This will in a competitive market flow through to lower rates for Victorian ratepayers than will be the case under current expenditure settings.

In addition, the legislated purpose of the fund should be confined to resource recovery initiatives. Climate change as it relates to recycling is already addressed to the massive greenhouse gas mitigation from resource recovery, as opposed to virgin material extraction. Within Australia, recycling is responsible for over 15 million tonnes CO₂e of emission

abatement per annum² (2.7% of national emissions³). In addition, a global marginal abatement cost curve (MACC) for the waste industry also found that recycling is one of the lowest cost and largest scale of abatement opportunities available to the waste sector.

Furthermore, climate change adaption is addressed nationally and internationally and Victoria's resource recovery, recycling and re-manufacturing industry should not be effectively taxed to fund climate change adaption in other industries or the broader community. Any initiatives in this regard should come from consolidated revenue or other government revenue streams.

The only government activities that should be eligible for funding from waste levy revenue should be activities focused on illegal dumping and strong regulatory enforcement, as this is a perverse outcome from any levy regime.

Broader public sector core departmental functions should be funded from consolidated revenue, not through a tax on the unavoidable residues from recycling that cannot be recovered by any technical or commercially available means. It is time for the government to focus on a sustainable resource recovery industry, public and private, through logically coherent policy, priorities, revenue expenditure and legislative settings.

ACOR stands ready to further assist the Government in the review process.

Yours sincerely,



Grant Musgrove
Chief Executive Officer

² Sourced from *the Australian Recycling Sector* – a report by Net Balance for the Department of Sustainability, Environment, Water, Population and Communities – January 2012 (<http://tinyurl.com/kcuyb2w>)

³ Based on latest national emissions excluding LULCF sourced from *Australian National Greenhouse Accounts: Quarterly Update of Australia's National Greenhouse Gas Inventory – June Quarter 2013* (<http://tinyurl.com/o9zzwbs>)