Inquiry into Recycling and Waste Management

Submission by the Victorian Local Governance Association (VLGA)

May 2019

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Introduction

The Victorian Local Governance Association (VLGA) welcomes the Environment and Planning Committee's inquiry into recycling and waste management. The VLGA is a membership based, not-for-profit industry peak body representing the local government sector. We support councils and councillors in good governance by providing support, education and networking opportunities between the local government sector and its interface with other sectors such as social policy and human services. We work in partnership with government agencies and other stakeholders to promote best practice in the local government sector and to ensure optimal outcomes for the community.

In making this submission, the VLGA has followed the accepted waste management hierarchy, from waste avoidance as the most preferable option through to waste disposal as the least preferable option. While these options are discussed in the Victorian context, the VLGA strongly urges the Victorian government to continue to lobby the Federal government and other jurisdictions for a coordinated national approach, as the issue of waste and recycling requires strong national leadership and policy directives.

The VLGA will focus on domestic or municipal waste and recycling in its submission, acknowledging that other stakeholders will be contributing from other sectors such as construction, commercial and industrial operations.

Background

Our recycling industry has been built on readily available overseas markets such as China, India and other nations willing to buy our recyclable materials. This was driven primarily by market forces – it being cheaper to ship materials overseas than to process and re-purpose them locally. Strong demand from overseas drove our recycling industry. Data from the 2018 National Waste Report stated "*in 2016-17, about 43% of recycled metal, 70% of recycled plastic and 43% of recycled paper and cardboard was exported for processing overseas*".[1] However, it should be noted that municipal recycling constitutes 20% of all recycling operations.[2]

Exporting of recyclable materials has diminished significant research and development into mass recycling capacity and capabilities in Australia. In addition, there are no incentives or ready market for products made with recycled materials. The VLGA notes that given the lack of R&D, the quality, consistency and performance of products made with recycled materials may vary. This may well act as a further deterrence to local demand for such products. The Committee may wish to examine submissions from other stakeholders on this issue.

On the supply side, there is no shortage of materials produced or generated through excessive packaging, particularly disposable packaging. Packaging, particularly those made from plastics and

[1] http://www.environment.gov.au/system/files/resources/7381c1de-31d0-429b-912c-91a6dbc83af7/files/national-waste-report-2018.pdf
[2] Ibid

treated paper, is both pervasive and seemingly accepted. While some packaging cannot be entirely avoided, such as bottles and containers for milk and personal hygiene products, the trend towards convenience has led to excessive use of packaging (e.g. fruit and vegetables in plastic tubs/trays wrapped in plastic). While some packaging is "recycled" (see above), some also ends up in landfill.

The State Government, through its Landfill Levy imposed on councils, aims to divert recyclable materials away from landfill. Introduced in 1992, the Levy has been increasing significantly since 2010/2011 and is currently set at $63.28 per tonne for metropolitan councils and $31.71 for rural councils for non-industrial waste.[3] A report by the Victorian Auditor General's Office (VAGO) showed that the amount of municipal waste per person sent to landfill decreased by 21% between 2006/2007 to 2016/2017.[4] As the National Waste Report (2018) noted, between 2006-2007 and 2016-2017, there was a "*long-term increasing trend in export of waste materials for recycling, except for a decline between 2013-14 and 2015-16 associated mainly with scrap metals*".[5] Therefore until 2018, our recyclable materials diverted from landfill were largely exported for processing.

Recycling in the local government sector

Councils provide waste collection, including recyclable materials, as one of their core services. Up to the ban on low grade recyclable materials imposed by China and recently by India,[6] councils could generate revenue from their contracts with recycling contractors. Contracted providers typically paid councils a fixed amount per tonne of materials collected, and councils used this income, plus other fees such as waste charges, to offset costs associated with disposal of waste including the landfill levy and costs of contract management.

The ban on low grade recyclable materials by China in early 2018 had several immediate impacts:

1. Sorting facilities contracted by councils can no longer produce recyclable materials to a grade acceptable to export markets without increasing their operating costs. Processors had to renegotiate their existing contracts with councils to maintain viability of their operations. Visy and SKM were charging councils nett cost of $100 per tonne. It is estimated that councils have each had to find an additional $1 - $2 million per annum for recycling processing gate fees as a result.
2. Existing materials, sorted to a lower grade, are being stockpiled until the market situation improves or until another country is willing to accept them.
3. In the meantime, recyclable materials continue to be sorted to the lower grades and stockpiled due to existing contracts.

[3] https://www.epa.vic.gov.au/business-and-industry/guidelines/landfills-guidance/landfill-and-prescribed-waste-levies
[4] https://www.parliament.vic.gov.au/file_uploads/VAGO-Landfill-Levy_8kdrk13s.pdf
[5] http://www.environment.gov.au/system/files/resources/7381c1de-31d0-429b-912c-91a6dbc83af7/files/national-waste-report-2018.pdf
[6] http://wastemanagementreview.com.au/india-bans-solid-plastic-imports/

4. In addition to councils paying for collection of materials (instead of getting paid), sorting facilities have sent some of their stockpiled low-grade recyclable materials to landfill, presumably to free up space for higher grade recyclable materials.[7]
5. The State Government responded by releasing funding from the Resource Recovery Infrastructure Fund to support councils as part of its Recycling Industry Strategic Plan,[8] including:
    a. $13.5 million to support the ongoing kerbside collection by councils. However, it was noted by councils that the funding was for less than 12 months' assistance and was capped at $60 per tonne regardless of the cost increase to councils;
    b. $13.9 million as part of an education campaign to increase the quality of recycled materials in Victoria;
    c. $4.2 million to support collaborative procurement projects as part of the third round; and
    d. $5.5 million to further drive market demand for products made with recycled materials.

The VLGA places on the record that it was not consulted in the development of the Recycling Industry Strategic Plan, even though local government was identified as a key stakeholder and partner in the implementation of the plan. The VLGA has also heard from its member councils that they were not consulted in the development of Recycling Industry Strategic Plan. This is contrary to the Victorian State-Local Government Agreement.[9]

The VLGA contends that the greatest damage to date from the waste and recycling crisis, besides the environmental damage, has been to the public confidence in our recycling industry, and the apparent inability of our government at all levels to deal with this issue.

Landfill levy and opportunities for broad policy reforms

The current waste and recycling crisis did not happen overnight, but rather as a confluence of various factors including those outlined above plus increased consumer awareness through community advocacy and through TV shows such as ABC's War on Waste. There is an expectation in the community that urgent actions are needed to resolve this issue and resolve it across Australia. Recyclable materials are resources and not waste, given the energy-intensive nature of their extraction, refinement, manufacture, and transportation. A new paradigm in dealing with waste and recycling must be built – one that does not involve exporting these products.

Local government, while having most responsibilities for household waste management and recycling, has the least power to enact policies and initiatives compared with the two tiers of government to affect

[7] https://www.theage.com.au/politics/victoria/epa-allowed-recycler-to-reopen-after-waste-mountain-went-to-landfill-20190329-p518zn.html
[8] https://www.environment.vic.gov.au/__data/assets/pdf_file/0013/326110/Recycling-Industry-Strategic-Plan.pdf
[9] https://www.localgovernment.vic.gov.au/our-partnerships/victorian-state-local-government-agreement

this paradigm shift. State, and more importantly, Federal Governments must assume responsibility for most policies and initiatives given their powers of taxation and regulation.

As the Committee is aware, councils are limited in their capacity to respond meaningfully and comprehensively to the current waste and recycling crisis due to several factors, including:

- Unbudgeted additional costs associated with changes to existing waste management contracts;
- Rate capping policy framework imposed on councils, limiting their capacity to levy extra costs and charges;
- Limited capacity for communities, particularly those in rural Victoria to pay additional costs; and
- Lack of economies of scale for single councils, or even a group of councils, to affect change at a national level.

It is fundamentally unfair and unequal for councils, through their residents, to pay for new measures or initiatives given that they already do so through the Landfill Levy, which has been growing steadily and had an estimated balance of $513 million as of July 2018.[10] The accumulated balance of the Levy presents many opportunities for state-wide programs and pilots outlined above and is consistent with the stated objectives of the Levy.

From a broad policy perspective, the VLGA urges the government to provide additional funding to assist councils and industry to improve community awareness of waste management and recycling practices and to promote demand from consumers, governments and industry for products made with local recycled materials. Increased awareness can lead to change in consumer attitudes and behaviours over time. Australia has a proud history of community awareness campaigns, which, together with increased regulation, have led to measurable positive outcomes for the community. Recent examples include those aimed at reducing the incidence of skin cancer, reducing the road toll and reducing the rate of smoking.

Coupled with this public education campaign is the need for the State Government to provide greater clarity on the governance and responsibilities of various departments and agencies in waste and recycling at the local government level. The VLGA draws the Committee's attention to the VAGO report on landfill levy which highlighted the governance concerns expressed by the Ministerial Advisory Committee in 2013 that led to the transfer of the sustainability fund from Sustainability Victoria to the Department of Environment, Land, Water and Planning (DELWP) in 2015.[11] The VLGA notes the acceptance of or support for all 14 recommendations by various government departments and agencies contained in the VAGO report, and urges the Committee to scrutinise the extent to which these recommendations have been implemented.

In addition, the VLGA urges the State Government to lobby the Federal government for stronger policies and actions at the national level to improve domestic waste management and recycling. The VLGA notes that many countries are already actively implementing a "circular economy" framework aimed at

[10] https://www.parliament.vic.gov.au/file_uploads/VAGO-Landfill-Levy_8kdrk13s.pdf
[11] https://www.parliament.vic.gov.au/file_uploads/VAGO-Landfill-Levy_8kdrk13s.pdf

reducing their waste.[12] While examples and initiatives for such an approach can be found in Australia, an overall national policy framework for action is lacking.[13]

The way forward

In relation to specific policy initiatives, the VLGA makes the following recommendations based on the widely accepted waste management hierarchy, from avoidance as the most preferred option through to disposal as the least preferred option. The hierarchy is shown below.

The waste management hierarchy

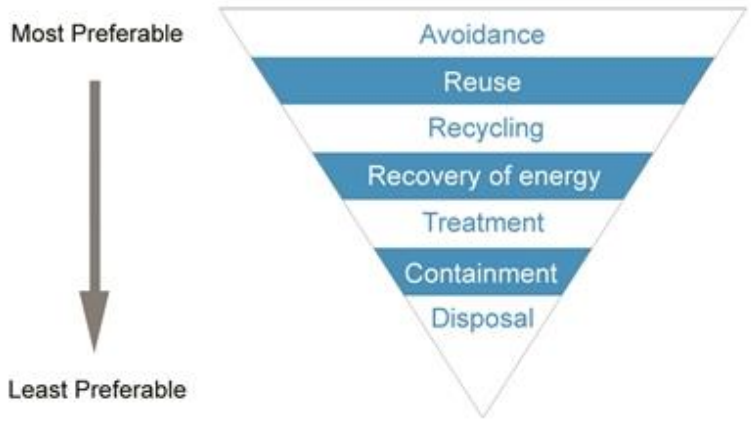

Image courtesy of the Environmental Protection Authority

Avoidance

A number of measures can be piloted and implemented to assist in the avoidance of waste, and therefore the need for recycling. Some of these are already in place in some Australian jurisdictions. These include:

a. Banning single use plastics. The VLGA welcomes the planned banning of single use plastic bags by the Victorian government[14] but urges the banning of other single use plastics such as straws and cutlery. There are alternative products available and other jurisdictions are already considering such measures. In addition, the banning of single use plastics will stimulate the use of alternatives and drive their demand; and

[12] https://www.parliament.vic.gov.au/publications/research-papers/download/36-research-papers/13880-the-circular-economy-an-explainer
[13] Ibd
[14] https://www.premier.vic.gov.au/victoria-says-no-to-plastic-waste/

b. Introducing targets and mandated measures under the Australian Packaging Covenant.[15]

Strong education and awareness raising campaigns are required to empower the community and industry to take actions to avoid unnecessary packaging. Consumer demand, together with more stringent government regulation, would drive behaviour change by industry and governments to avoid waste generation. Councils are ideally placed as partners in education and awareness raising initiatives from State and Federal governments.

Reuse

There is a need for incentives and targets for procurement of goods made with recycled materials to drive demand and associated research and innovation in the reuse of materials. The VLGA notes that some councils are already reusing recycled materials as part of their procurement for goods. Recent examples include the use of recycled materials in pavement construction by councils.[16] However, single councils will not be able to achieve the economies of scale to deploy these practices on a sector wide basis without intervention from the other two tiers of government. The State Government can readily demonstrate leadership in the reuse of materials through its own procurement framework.

The Victorian government should recognise that the price for recycled materials may cost more initially than non-recycled materials and this will be a barrier for councils to adopt this practice, particularly within a rate capping environment. Therefore, the Government should consider supporting councils in procurement practices to encourage councils' participation. The Government may also want to explore funding for councils as part of a transitional program to increase the demand for and use of recycled materials. Procurement policies for all three tiers of government need to mandate the procurement of materials with recycled content in order to create demand and to drive innovation in reuse of recycled materials. Increased volumes of materials using recycled content and increased technological advances in reprocessing will bring prices down so that such use provides a cost advantage.

Recycling

A container deposit scheme is long overdue in Victoria. Victoria is now the only mainland state that has not implemented such a scheme, despite evidence demonstrating its effectiveness in increasing the recycling rate, both in Australia and overseas.[17] The VLGA supports a national container deposit scheme to ensure uniformity and increase our national recycling rate.

A similar concept is reverse vending machines, where users can exchange containers for cash refunds or credits. Wyndham City Council recently installed reverse vending machines in four locations throughout its municipality.[18]

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[15] https://www.environment.gov.au/protection/waste-resource-recovery/plastics-and-packaging/packaging-covenant

[16] https://www.sustainability.vic.gov.au/Government/Waste-and-resource-recovery/Recycled-materials-in-pavement

[17] https://theconversation.com/container-deposit-schemes-work-so-why-is-industry-still-opposed-59599

[18] https://www.wyndham.vic.gov.au/services/waste-recycling/reverse-vending-machine

In addition, there should be an expanded national product stewardship scheme to include all e-waste, electrical appliances, tyres and other hazardous products,[19] noting that Victoria is already set to ban e-waste from landfill from July 2019. Again, initial government funding and subsidies will be required to increase the rate of recycling.

Targeted community education should be an essential component to increase rates of recycling throughout Victoria and to minimise contamination. This can be supported by practical steps such as standardising the colour codes of bins to increase consistency between municipalities.

Recovery of energy

The VLGA understands that there can be savings for councils by composting food organic and garden organic (FOGO) waste.[20] This approach builds on existing garden waste collection offered by councils, often on a fortnightly basis, to include food scraps and other organics and increase their collection frequency to weekly. However, FOGO waste collection is not yet widely adopted by Victorian councils. Contamination of FOGO waste has been identified as a barrier by some councils.[21] An active and sustained community education campaign to improve separation of waste into appropriate bins can be successful in reducing contamination. Bass Coast Shire Council has reported <1% contamination consistently for the past 18 months with its weekly FOGO collection and garbage fortnightly collection. The council also reported up to 77% of kerbside waste being diverted from landfill (including recycling collection).[22]

While the diversion of FOGO waste from landfill can achieve savings for councils in terms of reduced landfill levy, there can be a net cost to councils in the additional investments required to establish and support the ongoing operations of FOGO waste collection. A recent report from Bayside City Council estimated that an additional $906,000 is required to implement FOGO waste management services for the 2019-2020 financial year, reducing to $320,000 in 2021-2022.[23] Mildura Rural City Council estimated that an additional $2 million is required in the first year and $1.4 to 1.5 million annually thereafter for processing FOGO waste as there are no processing options within 400km of this important regional centre.[24] On the other hand, it was noted by some councils which own landfill facilities that the diversion of FOGO waste showed significant savings in waste costs.[25]

Increased costs for FOGO waste processing (and other initiatives outlined in this submission) highlight the need for additional State Government investment in the local government sector to assist in the transitioning to best practices in waste management within a rate capped environment.

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[19] https://www.environment.gov.au/protection/waste-resource-recovery/product-stewardship
[20] https://www.mwrrg.vic.gov.au/waste/organics/food-organics-and-garden-organics-fogo/
[21] https://www.mwrrg.vic.gov.au/assets/resource-files/MWRRG-FOGO-Guide-Interactive.pdf
[22] Personal correspondence
[23] https://www.bayside.vic.gov.au/sites/default/files/waste_and_recycling/recycling_and_waste_management_strategy_2018-2027__0.pdf
[24] Personal correspondence
[25] Bass Coast Shire Council, personal correspondence

Treatment/Containment/Disposal

As outlined above, there is an urgent need for investment in research and development for better separation of recyclable materials. This will enable high quality recycled materials to be recovered, reprocessed and reused. For example, e-waste contains various precious metals. These can be recovered through better treatment and separation from other materials. This approach will also stimulate innovation and niche manufacturing, such as those pioneered by Professor Veena Sahawalla from the University of NSW Centre for Sustainable Materials Research and Technology (SMaRT).[26] The Centre has four major research focus areas, with one on recycling and material transformations. Committee is urged to investigate initiatives from universities, other research institutions and niche market manufacturers to determine how the State Government can best support these stakeholders in the treatment and recovery of materials. In addition to any recommendations other stakeholders make on this topic, the VLGA contends that stronger policy directives, complemented by incentives and subsidies in the implementation and transition stages, will help councils and the community to sustainably implement this vital component of the circular economy.

Waste to energy plants

Waste to energy plants represent an interesting option in the waste and recycling space. Such plants typically incinerate materials that are not fit for recycling to produce electricity. It is difficult to place waste to energy on the waste management hierarchy as it is viewed by some as a form of energy recovery, while others see this as disposal. A waste to energy plant requires sufficient feedstock to fuel its incinerators. This requires better initial separation and recovery of recyclable and valuable materials from the fuel feedstock, which is a challenge in Australia as mentioned above. Such plants may also act as a perverse incentive to invest and act on other measures outlined in the waste management hierarchy.

It should also be noted that waste to energy plants do not fit neatly in to the “circular economy” aspired to by the State Government, save perhaps in the re-use of the residue or bottom ash, which may require additional treatment due to the presence of contaminants.

Finally, there are limited rigorous scientific studies on the cost benefits of such plants, due to the different regulatory and market mechanisms such as landfill levies and emission standards (including “fly ash”) imposed by various countries, or even within countries. Therefore, any translation or comparison of overseas experiences of these plants to the Australian context need to be treated with caution.

The VLGA recommends to the Committee consider waste to energy plants as an option of last resort and to focus on other measured outlined above. The Committee should also critically examine evidence from other stakeholders to determine the current cost benefit of such plants in the Victorian context and how such plants fit into the “circular economy” of waste management.

[26] http://www.smart.unsw.edu.au/

Concluding comments

The initiatives outlined above are not mutually exclusive. Several can be piloted and implemented simultaneously. As iterated throughout this submission, it is important to recognise that councils, particularly small rural councils, do not have capacity to deal comprehensively with the above initiatives. While some councils have taken measures such as banning single use plastics at council events and functions (Darebin) and the use of reverse vending machines (Wyndham), they do not have the scale and reach to significantly impact our waste and recycling crisis. The current rate capping policy further hampers councils' ability to invest in innovative solutions in this space.

There is an urgent need for a strong national policy framework, including regulations, targets and incentives to address this issue. The recently released National Waste Policy recognises the role of the Australian Government to "*promote innovation, develop standards for products and materials, address market failure and provide national data and reporting*".[27] However, in the 2019 – 2020 Federal budget, no significant financial commitments were made to progress these aspirations. The VLGA contends that the $100 million Environmental Restoration Fund announced in the Budget is insufficient, considering it is aimed at a range of measures, including to "*protect threatened and migratory species and their habitats, improve water quality and manage erosion in coasts and waterways and support the clean-up, recovery and recycling of waste*".[28] The VLGA is disappointed with the portfolio budget statements from the Department of Environment and Energy, which stated "*the Department will continue to **co-ordinate** (own emphasis) the development of a National Action Plan to deliver the 2018 National Waste Policy*".[29] The VLGA contends that much stronger policy directives, sufficiently resourced by the Australian Government, should be **driven** (own emphasis) by the Department, to progress the initiatives outlined above.

At the State Government level, Victoria needs to play an active role in lobbying the Federal Government and other states and play a leadership role in some of these initiatives. This is particularly so as other states have led the way in other initiatives, such as South Australia in banning single use plastic bags in 2009 and their container deposit scheme established in 1975.

In order for Victoria (and Australia) to develop and implement a closed loop system for our waste and recyclable materials – a circular economy – rather than relying on overseas markets, the State Government can and should take a lead role nationally.

The VLGA looks forward to engaging with the State Government, through its ministers, departments and agencies together with the 79 Victorian municipalities in exploring the opportunities that lay ahead.

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[27] https://www.environment.gov.au/system/files/resources/d523f4e9-d958-466b-9fd1-3b7d6283f006/files/national-waste-policy-2018.pdf

[28] https://www.environment.gov.au/system/files/resources/c47f29fd-f85e-4789-af69-6b26630b8f4d/files/2019-20-pbs.pdf

[29] Ibid