Extract from Southern Waste Strategy Authority's Proposed National Waste Management Policy

1. Introduction

The Southern Waste Strategy Authority (SWSA) is responsible for implementing a regional Waste Management Strategy in Southern Tasmania on behalf of the twelve Southern Tasmanian councils. Its role includes the coordination of regional policy with respect to waste management in order to develop a united and informed position.

This paper reviews a number of national policy instruments that have been used or suggested for use in Australia, and particularly to summarise the available information regarding Advance Recycling Fees (ARFs). Such fees are variously referred to as Advance Recycling/ Recovery/ Disposal/ Deposit Fees.

2. Background

The National Packaging Covenant (NPC) is the key policy instrument applied to the management of packaging waste in Australia, as determined by the Environment Protection and Heritage Council (EPHC). It is a 'carrot and stick' arrangement, whereby the carrot is a cooperative partnership that aims to establish a policy framework, based upon the principle of shared responsibility, for the effective lifecycle management of packaging and paper products.

Organisations that do not cooperate, suffer the 'stick' of the National Environment Protection Measure. The NEPM is intended to create a nationally consistent regulatory safety net affecting the small minority of players who do not join the NPC.

The National Packaging Covenant arrangement involves two key operational thrusts. Industry signatories are required to produce annual Action Plans that spell out their waste reduction plans. They are also required to contribute to a fund, aimed at supporting projects that will lead to the improved recovery of packaging waste.

More than 300 industry signatories currently contribute to the new Covenant MkII fund. Their Action Plans are public documents and typically commit to strategies such as the 'light weighting' of containers, the use of recyclable materials, and improved product and packaging design. Whilst many businesses take the process seriously,

there has been criticism that many signatories pay lip service to the Covenant process and that limited tangible improvement is evident.

The Southern Waste Strategy Authority (SWSA) became a signatory to the first Covenant and obtained more than $440,000 in funding for its programs over its first four years. This was a pragmatic decision on the part of SWSA, believing that the Covenant could best be improved by working from the inside. Northern Tasmania Development NTD) and the Local Government Association of Tasmania (LGAT) have become signatories to the covenant.

The financial assistance provided is relatively insignificant in relation to the total costs imposed upon local government. For example, the revised Covenant aims to provide industry funding of $4M per year, whereas kerbside recycling alone costs local government some $200M per year. However, the NPC incorporates a preventative as well as a funding element, and the contribution of packaging industries is at least a foot in the door, compared with the majority of industries who contribute nothing (packaging contributes some 10% of all waste).

With the early rounds of funding for Covenant MkII only completed, it is not completely clear how the new arrangements will work, but there is already some concern that the Covenant remains overly complex and an inadequate mechanism to properly compensate local government for the costs it is expected to bear.

3. Alternatives

It was agreed by all state jurisdictions that the original Covenant process would be the only substantial packaging waste management measure introduced during the life of the agreement.

The original arrangements were extensively reviewed in a two year process that established targets and reporting requirements for industry, a supposedly simpler and more transparent funding mechanism and more broadly based funding on a project basis.

The Covenant review process included an evaluation of alternatives against a broad range of criteria, in the Regulatory Impact Statement prepared for the EPHC by consultants Nolan-ITU. This document ranked the alternatives as follows:

Strengthened Covenant	50	
Unchanged Covenant		41.5
Advance Recycling Fees	39	
Mandatory take-back scheme		37.5
Mandatory CDL	35	
Increased landfill levies	33.5	
Do nothing	25.5	

The new Covenant will be reviewed after three years, with alternative mechanisms to be investigated more thoroughly as part of that review process. This is presently taking place.

3.1 Container Deposit Legislation (CDL)

CDL refers to a legislated deposit on containers to encourage their return by consumers, primarily as an anti-littering measure. CDL systems vary markedly, with containers returned to the manufacturers via the retailer, designated collection depots, reverse vending machines or recovered as part of existing waste/ recycling collection systems.

The person returning the container normally receives a standard refund, and the manufacturer is usually responsible for refilling, recycling or disposing of the returned containers.

The key features of CDL compared with existing systems are briefly summarised below:

- CDL primarily targets litter reduction in relation to beverage containers, whereas the NPC has avoidance and resource recovery mechanisms aimed at a broader range of materials.
- It is doubtful that kerbside recycling would remain viable if CDL was introduced – a number of independent studies have concluded that the overall costs of recovery would increase by 2 – 3 times if CDL was introduced on top of kerbside recycling.
- It is generally agreed that CDL would increase the recovery of beverage containers, but that kerbside recycling recovers more resources, because of its broader spread.
- CDL requires substantial investment in a much more sophisticated sorting system – after ten years developing kerbside recycling, it is doubtful that local government would want to make this further investment.
- CDL is an additional tax imposed on the community – whatever social benefits might result it is wealth transfer not wealth

generation. Whilst some of this wealth distribution would benefit local government, much would be dissipated in the complex recovery and sorting process.

- All parties agree that the introduction of CDL would require coordinated action by the commonwealth and the states. The EPHC is the forum for such decisions, and has just reaffirmed its support for the NPC process. Local government should take part in this process in order to influence future directions.

Others have argued the case for and against CDL in more detail than above, however from a Southern Tasmanian perspective, local government pays some $1.8M per annum to collect/ sort kerbside recyclables. Actual independent audits conducted for SWSA, together with independently supplied data regarding the value of the materials collected at the kerbside, demonstrate that if 80% of food & drink containers were diverted to CDL, the value of kerbside materials would reduce by $11/ household/ year. This represents a 43% increase in the cost of kerbside services to local government.

The argument that some/all of this may be recovered by redeemed deposits is irrelevant – that money is tax – it is a transfer of wealth. The community, even if the tax was redistributed in a perfectly equitable and efficient manner, would pay the same amount to collect $0.9M less material.

Although a number of states/ countries have CDL systems world-wide, they are clearly outnumbered by those who do not.

SWSA's main objection to CDL is about moving forward, not backward. Our analysis clearly indicates that the greatest opportunity for the recovery of valuable resources lies in the largely untapped commercial and industrial waste area. To be distracted by CDL at this late stage could put back Recycling by ten years.

3.2 Extended Producer Responsibility

In simple terms EPR refers to the responsibility for the waste arising from a product or service, whereas CDL refers to the container.

EPR schemes have recently started to emerge in Australia, seeking to formulate co-regulatory agreements, similar in principle to the NPC arrangements for packaging. EPR measures may encompass deposit schemes, take-back schemes, or a variety of voluntary partnership agreements. It is mooted that EPR schemes will be applied on a single

product basis (e.g. white goods recovery, tyre levy), possibly leading to a very complex collection and sorting regime.

Whilst the two approaches can have elements in common, there is no reason why EPR schemes cannot coexist happily with either kerbside recycling, ARFs or CDL. (e.g. The Drum Muster scheme currently coexists quite successfully with kerbside recycling)

Since local government collection networks might form a logical part of EPR collection systems, SWSA has expressed its qualified support for such agreements on the basis that:

- A consistent model is required for EPR schemes to avoid inefficiencies in the collection phase, and this must address collection costs.
- Up-front fees are favoured, because if a fee is demanded for disposal, illegal dumping is considered more likely.
- The fee should pay for all of the collection, recycling and disposal costs, including the very substantial cost of providing separate collection infrastructure for a range of products/ materials.

As suggested in the following section, EPR might become part of an integrated ADF/ ARF system.

Whilst kerbside and away-from-home recycling have been a good starting point to enrol the community in the practice of recycling, the agenda must move on to the recovery of a broader scope of product and service wastes.

3.3 Advance Recycling Fees

Advance Recycling Fees are up-front fees, charged at the time of purchase, in order to fund recycling or disposal. Such a levy could be applied in a similar way to CDL, without establishing competing collection systems to those already in place. For example, the levy could be collected from the consumer via the manufacturer or importer, and then distributed by a Trust Fund to local government and other organisations undertaking recovery and disposal functions.

There is not necessarily a direct link between the fee assessed and the actual disposal cost of the product. ARFs are intended to serve as a public education tool and as an incentive for manufacturers to produce

a product that is easier to dispose, reuse or recycle and that uses recycled material

Whilst still vulnerable to the charge that it is 'just another tax', there is a powerful user-pays argument for ARFs, they have the potential advantage of efficiency, and the distribution of revenues should permit some offsetting reduction in local government waste management charges.

The potential advantages of ARFs are:

- No apparent reason why this principle could not be extended to the recycling and/ or disposal of products and packaging, instead of introducing separate EPR schemes (see below).
- No reason why the levy could not represent the average cost of collecting food and drink containers via kerbside recycling reasonably fairly (certainly more fairly than is currently the case).
- The establishment of alternative rates of the levy for other business sectors would be simpler than agreeing an entire new EPR arrangement with each sector.
- No leakage of funds to profit-making service providers – should be directly used to pay for collection infrastructure and costs.
- Not predicated on a complex collection and refunding scheme – no reason to change the kerbside recycling system.
- Ropes in current non-contributors to collection costs, such as newspapers.

ARFs are similar to the Drum MUSTER scheme, which uses a voluntary levy to fund the recycling of empty agricultural and veterinary chemical drums.

3.3.1 Examples of ADF/ ARF Schemes

- ARF Schemes have historically been very limited in their operation, targeting predominantly beverage containers, and more recently, e-waste.
- An ARF of 1 cent per container introduced in Florida in the early 1990s and later increased to 2 cents, raised US$67M in 2 years on cans, bottles, jars and beverage containers that did not achieve specified recycling targets. It has since been allowed to lapse because it did not reflect the different costs of recovery for different containers and because many

manufacturers achieved the target recycling rates at which exemptions applied.

(A modified system could be introduced without exemption levels - even if recycling targets are met, the costs of recycling, particularly collection, must still be recovered. Alternatively reviewable benchmarks could be introduced, with a smaller fee charged if recovery exceeds the benchmark. Other alternatives might include a two tier system with a higher Advance Disposal Fee if a satisfactory recycling system is not in place and a lower Advance Recycling Fee if it is).

- Switzerland has a complex ARF system for ewaste.
- Virginia has an ADF system for tyres.
- North Carolina has an ARF system for white goods and tyres and is considering adding ewaste.
- A number of US states have ewaste ARFs and other mechanisms in the committee stages, including California, Connecticut, and Massachusetts. Michigan, New Hampshire, Oregon, South Carolina, Texas, Vermont and Washington.
- Other states have already passed ewaste schemes of various types (ARFs take-back schemes, prohibition etc) including Illinois, Maine, Minnesota, New Mexico, Virginia.
- The Californian model for distributing revenues from ARFs uses a two step method linked to county population data and reported costs:
  - Counties receive a quarterly distribution based on overall state receipts and their populations.
  - They are then able to apply for grants if they can demonstrate that their costs have exceeded what they received in distributions.

  (Counties have to account for their management costs, whilst the state tracks the funds that have been distributed to compare them with actual expenses. If a county accumulates a funding surplus above a certain level, it becomes ineligible to receive additional funds until it reduces the surplus. Of the amount paid up front by the consumer to the retailer, the Department of Revenue takes a small amount for administering the program. The remainder is split up, with 72% going to eligible county programs on a per capita basis, 20% goes to a management account for supplemental grants to counties for overruns, with the remaining 8% going to a waste management trust fund for broader recycling grants).

3.3.2 Criticisms of ARFs

- ARFs have in the past been difficult and expensive to implement and administer due to the complexities in setting charges that reflect waste management costs and collecting the fees.
- Significant government bureaucracy is required to establish fee levels, to determine how fees are collected and to manage and enforce collection.
- Significant parallel effort is required from companies who must track products and remit the appropriate fees.
- Industry stakeholders feel that if ARFs and partial cost internalisation are used on products concurrently, that this represents a double-tax on their products

3.3.3 Benefits of ARFs

- Legislation establishes clear responsibilities for all players (e.g. manufacturers, collectors, recyclers) and enables enforcement against free riders.
- ARF systems in general, offer a private sector solution because private businesses and non-profit organisations deliver the necessary services.
- Ensures that everyone selling in the market today shares the cost of recycling the end-of-life products generated today.
- The ‘cradle to grave’ funding of an ARF can be used to develop sound infrastructure, provide quality service for the public and manage the backlog of old products, while placing the least financial burden on local communities.
- It assures a fair distribution of financial responsibility amongst product brands. It is a “whole solution” that avoids creating expensive, manufacturer-by-manufacturer systems, resulting in reduced administrative and enforcement problems.
- The ARF tool can include funding for consumer education programs, recyclers and other system participants as well as providing information to customers on proper end-of-life management, through product literature or web sites.