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**SUBMISSION
TO THE NSW GOVERNMENT
ON THE DEVELOPMENT OF
THE 20-YEAR WASTE AND RESOURCE RECOVERY STRATEGY**

September 2019

EXECUTIVE SUMMARY

Sell & Parker welcomes the opportunity to make this submission to the NSW Government on the development of its 20 Year Waste and Resource Recovery Strategy.

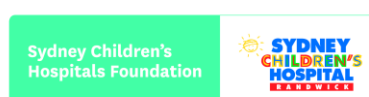
NSW has created a recycling framework which imposes the most expensive waste fees in the country, is failing to meet its own recycling targets, and is inhibiting growth in recycling capacity.

As the population in NSW grows, our waste continues to grow. We currently produce about 19 million tonnes of waste every year and that creates a huge challenge for our community. However, while this provides many opportunities to innovate and do things differently to enable the circular economy these opportunities are not being taken up in NSW.

Community expectations have changed significantly over time and the community will expect us to do even more in the future to put waste to good use and divert resources away from landfill.

Government has a crucial responsibility to drive change towards a circular economy and support the transition with targeted initiatives such as improving the Waste Levy through reinstating a 50 per cent concession for floc, evaluating and approving shredder floc as Alternative Daily Cover and tackling inefficiencies in the NSW planning system to facilitate an expansion in recycling as well as encouraging in-jurisdiction recycling.

This submission identifies ways to make recycling in NSW more sustainable, more reliable and more affordable and includes the following recommendations for incorporation into the 20 Year Waste and Recovery Strategy, the new Plastics Plan and COAG's proposed export ban:



1. That the 20-year Waste Strategy remove the financial incentive to export waste interstate and overseas as a way to support the circular economy and increase the recycling rate in NSW.
2. That a 50 per cent Waste Levy concession for floc be reinstated to boost the sustainability and affordability of metal recycling in NSW.
3. That shredder floc be evaluated and approved as Alternative Daily Cover and that the Protection of the Environment Operations (Waste) Regulation be amended as appropriate.
4. That the use of recycled material be mandated in NSW Government contracts and that the use of recycled material be required in Planned Precincts.
5. That an Extended Producer Responsibility approach be mandated for recycling rechargeable batteries to provide greater fire safety for the public.
6. That the NSW Government identify and approve new sites for waste and recycling facilities for subsequent construction and operation by the private sector.
7. That the findings of this consultation on the 20 Year Waste Strategy should inform the Department of Planning, Industry and Environment's current review of the Environmental Planning and Assessment Regulation 2000. DPIE's objective should be to reduce the unnecessary administrative burden and increase procedural efficiency of the NSW planning system to facilitate expansion of existing recycling facilities and encourage the establishment of new recycling facilities required to process forecast waste volumes.
8. That the EPA implement its previously planned reduction in the scrap metal licensing throughput threshold to 6,000 tonnes a year.

Together these initiatives will deliver improved environmental outcomes and most importantly, do so without the need to pass on unnecessary costs to consumers.

ABOUT SELL & PARKER

Sell & Parker is the largest metal recycler in NSW. We are a local family run business, with more than 350 employees (including cadets, trainees and apprentices) at 6 sites across NSW including Banksmeadow, Blacktown, Ingleburn, Nowra, Newcastle and Coffs Harbour. We also have operations in the Northern Territory, Western Australia, Victoria and Queensland.

We are an Australian owned and operated company and have been trading since 1966. We have decades of experience in dealing with all issues surrounding scrap collection and recycling.

In addition, we are the dominant buyer of demolition scrap in Sydney and we also service a large number of manufacturers throughout Sydney. For example, we are one of only three accredited suppliers to Bluescope Steel.

We make a significant contribution to our community and we support many charitable causes including the Sydney Children's Hospital, the Royal Flying Doctor Service and Sculpture by the Sea.

Sell & Parker strongly believes that the circular economy is the key to growth of the industry and provides many benefits including job creation and waste minimisation. A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which resources are kept in use for as long as possible, maximum value is extracted from them whilst in use, and products and materials are recovered and regenerated at the end of a product's useful life.

We are committed to making it the circular economy a reality but the NSW Government needs to play its part in supporting industry in achieving this outcome.

SUSTAINABILITY

Recent changes to the NSW Waste Levy concession have made metal recycling less sustainable in NSW and reinstating the 50 per cent concession for floc is the only way to ensure high levels of metal recycling within NSW.

Enabling shredder floc to be used as Alternative Daily Cover will also make operations more sustainable and help improve recycling rates.

The sustainable answer to reducing waste is through increased recycling within our own jurisdiction. To achieve higher recycling rates, irrespective of source, the Government should mandate the recycling of material in NSW and retain recyclable waste within the jurisdiction. This approach generally accords with COAG's proposed export ban on recyclable waste; the loss of China as an importer of recyclable waste through its National Sword policy; and a commitment to the circular economy so that when waste is generated within a jurisdiction it is recycled within the jurisdiction.

Following are recommendations on how to build upon the existing Waste Strategy, how to improve the Waste Levy to ensure it supports the growth of recycling, how to bolster recycling within NSW through mandating use of recycled materials and how to extend product stewardship for products such as batteries.

NSW Waste Avoidance and Resource Recovery Strategy 2014–21

The current NSW Waste Avoidance and Resource Recovery Strategy 2014–21 sets targets on avoiding and reducing waste generation, increasing recycling, diverting more waste from landfill, managing problem wastes better, reducing litter and reducing illegal dumping.

The Strategy's recycling targets are based on the source of recyclable waste (municipal solid waste, commercial and industrial waste and construction and demolition waste) and the recent Waste Avoidance and Resource Recovery Strategy Progress Report 2017-18 found recycling rates in 2017-18 were 42 per cent for municipal solid waste, 53 per cent for commercial and industrial waste and 77 per cent for construction and demolition waste.

On current trends, the Government will not meet its targeted recycling rates of 70 per cent for municipal solid waste, 70 per cent for commercial and industrial or 80 per cent for construction and demolition waste.

Furthermore, the Progress Report found 65 per cent of waste was diverted from landfill in 2017-18 which is up from 63 per cent in 2010-11 but a long way from the 75 per cent target.

More work needs to be done to meet the targets than the approach noted in the Progress Report that currently “the EPA has focused on investing in recycling infrastructure, behaviour change, developing markets for recycled materials and building capacity for regional planning.”

Removing the financial incentive for the interstate transport of waste, supported by Waste Levy concession improvements would demonstrate that the Government is serious about increasing recycling in NSW. In supporting the circular economy, waste generated in NSW would be reused or recycled in NSW without passing the problem onto other jurisdictions.

Recommendation 1: That the 20-year Waste Strategy remove the financial incentive to export waste interstate and overstate as a way to support the circular economy and increase the recycling rate in NSW.

NSW Waste Levy

The NSW Waste Levy is an effective way to promote recycling since it encourages processing of waste to remove recyclable materials such as metal, rather than disposing of the waste to landfill.

However, the application of the levy on residuals from recycling has detrimental impacts. A 50 per cent concession on the Waste Levy on floc (residual non-metallic waster liberated as metal is shredded in a recycling facility) provides an incentive to retain materials in NSW rather than transport and dispose of materials interstate.

Without the 50 per cent concession there is a significant negative impact on environmental outcomes since it drives down recycling and forces operators to put heavy vehicles on the roads to truck their material interstate.

Without the 50 per cent concession the rate of metal recycling will be reduced. This is confirmed in the Government’s own reports (Marsden Jacobs & Associates’ report, Industry Concessional Waste Levy Transition Options 2019) which found that removing or reducing the concession will mean less scrap metal will be recycled.

The report also found that recycling would be reduced by 32,000 tonnes of metal waste a year. This is more than double the recovery of the entire NSW Government’s Return and Earn scheme. The removal of the 50 per cent concession and passing through the full levy to suppliers has meant that NSW volumes have already declined.

Less scrap metal will be recycled because removing the 50 per cent concession makes scrap collection more costly, meaning products that are far away from processing facilities in remote and regional areas will no longer be collected for recycling and marginal products like whitegoods will no longer be recycled. Regional areas of NSW will be hit the hardest and the report notes that “regional areas are likely to suffer the greatest impact on recovery rates due to the high costs associated with collecting the scrap and transporting it to metropolitan processing facilities.”

Without the 50 per cent concession, it is uneconomical and cost prohibitive to process materials in NSW so materials will be trucked to Queensland and Victoria (which have lower fees). This also means that when materials are transported interstate less Waste Levy revenue is generated within NSW, reducing the revenue available to fund environmental programs.

Reinstating the 50 per cent concession makes existing NSW recycling operators more financially sustainable. The concession also recognises the metals recycling industry make a vital contribution to the steel making industry in NSW and is a prominent example of how to make the circular economy works in practice. Without the 50 per cent concession less metal being recycled in NSW will exacerbate the shortage of feedstock for the NSW steel industry since 15 to 20 per cent of metals available in NSW has already been lost from local recyclers to exporters who move unprocessed materials to lower cost jurisdictions in Australia and overseas.

Recommendation 2: That a 50 per cent Waste Levy concession for floc be reinstated to boost the sustainability and affordability of metal recycling in NSW.

Alternative Daily Cover

Landfilled waste must be covered regularly during operations with a suitable material to minimise odour, dust, litter, the presence of scavengers and vermin, and the risk of fire.

Generally, 150 millimetres of Virgin Excavated Natural Material (VENM) is applied to landfill each day, however alternatives approved by the EPA are permissible. Shredder floc (metal waste produced through recycling) should be approved by the EPA as an alternative daily cover (ADC). Another advantage in using ADC is that landfill will be filled by waste VENM material.

Sell & Parker has invested significant funding into the best available technology into processing floc - to dry it and extract as much metal as possible out of floc.

Once floc is classified as an acceptable ADC, there should be a permanent 50 per cent Waste Levy concession for floc used as ADC.

This is currently the process adopted by regulators internationally, including for example in California and would be an Australian first. It is highly attractive as it avoids needing to use VENM material as ADC which contributes to filling up landfill. It also helps to reduce the natural material making its way into landfill instead.

Recommendation 3: That shredder floc be evaluated and approved as Alternative Daily Cover and that the Protection of the Environment Operations (Waste) Regulation be amended as appropriate.

Mandating the use of recycled material

Victoria's Recycling Industry Strategic Plan and the Victorian Market Development Strategy for Recovered Resources tasks Sustainability Victoria to drive demand for products containing recycled materials through government procurement.

Currently there is little incentive in NSW to use recycled material in a similar way. In NSW, public sector purchasing could be boosted through mandating consumption of recycled material and retaining recycling processes within the State.

With a significant pipeline of transport, health, education, water, sports, housing redevelopment and justice projects there is a big opportunity to use recycled materials in construction in the short to medium term. Construction of precincts such as Bays West, The Bays and Westmead along with redevelopment of the 22 Planned Precincts in suburban Sydney could also play a role in requiring the use of recycled material in residential and commercial construction projects.

Recommendation 4: That the use of recycled material be mandated in NSW government contracts and that the use of recycled material be required in Planned Precincts

Extended Producer Responsibility

Minister Kean has highlighted his concerns about single use plastic bags and plastics in general polluting the NSW environment.

Consumption of plastic has increased exponentially. While plastic and packaging recycling in Australia is well established, only 14 per cent of plastic is recovered for recycling or energy recovery.

Since 2009 the National Waste Policy has committed the Federal Government, with the support of State and Territory governments, to establish a national waste framework underpinned by legislation to support voluntary, co-regulatory and regulatory product stewardship and extended producer responsibility schemes to provide for the impacts of a product being responsibly managed during and at end of life.

Extended Producer Responsibility extends the producer's responsibility for a product beyond the post-consumer stage. In practice this means producers take environmental considerations into account when designing and manufacturing a product.

NSW was the first State or Territory to establish an Extended Producer Responsibility policy through the Waste Avoidance and Resource Recovery Act 2001. Section 15 of the Act defines an Extended Producer Responsibility scheme as one in which “producers’ responsibilities for their products (physical or financial) are extended to the post-consumer stage of the products’ life cycle”.

There are numerous product stewardship initiatives already underway across Australia including:

- Used oil (such as the Product Stewardship (Oil) Act 2000 (Cth))
- Consumer packaging (such as the National Packaging Covenant)
- Beverage containers (such as NSW the Return and Earn container deposit scheme)
- Newsprint (such as the National Environmental Sustainability Plan (Newspapers))
- E-waste (such as Victoria’s Byteback for computers)
- Compact fluorescent lamps (such as FluoroCycle)

Adopting an Extended Producer Responsibility approach to plastic products stewardship is a crucial starting point in the development of the Plastics Plan.

In May 2019 a house fire was thought to have been caused by an e-bike battery. The risk of fires from faulty lithium-ion batteries is increasing because they are used in an increasing number of consumer electronics, from mobile phones and laptops to home battery systems and electric cars and e-bikes. Lithium-ion batteries can be recycled but only about 5 per cent are recycled nationally now.

The safety risk is real. It is now impossible to get insurance from an Australian insurer for a recycling facility due to the fire risk. Sell & Parker had to go offshore to insure against this risk to our business due to the risk of fire from storing batteries on site and the overall cost of premiums has tripled.

Accordingly, Extended Producer Responsibility for products such as lithium-ion batteries will assist in boosting safety for consumers, as well as reducing the risk of fire.

Fire and Rescue NSW’s August 2019 guideline on Fire Safety in Waste Facilities provides guidance on how to protect life, property and the environment in waste facilities that receive combustible material. Fire safety should be promoted however onerous requirements are impossible hurdles to expanding recycling capacity in the waste industry.

In the European Union, the Battery Directive regulates the manufacture and disposal of batteries in with the aim of “improving the environmental performance of batteries.” A similar approach in NSW would have the dual benefits of improving safety and improving recycling rates.

NSW already has a network of more than 80 Community Recycling Centres for paint, motor oil, household batteries, gas bottles, other oils, smoke detectors, fire extinguishers, car batteries and fluorescent globes and tubes; along with a number

of staffed Return and Earn depots. With better promotion of the centres, and an upgraded role for the return points, existing infrastructure could collect selected recyclable materials.

Recommendation 5: That an Extended Producer Responsibility approach be mandated for recycling rechargeable batteries to provide greater fire safety for the public.

RELIABILITY

It is clear that there is an urgent need to build more recycling facilities in order to meet recycling targets however the NSW planning system should facilitate such development rather than unnecessarily delaying and preventing their expansion.

To reduce waste and increase recycling rates, action needs to be taken to improve the reliability, consistency and predictability of decisions made by NSW planning system. Addressing uncertainties in the current system will lower the barriers to entry for new operators, enable current operators to expand their operations and boost recycling.

Following are recommendations to address barriers and delays in the NSW planning system and to make the metal recycling market more reliable though tackling unlicensed operators.

NSW planning system

Greater certainty of planning processes and predictability of decisions for both new developments and modifications of existing facilities will provide greater incentives to expand commercial recycling opportunities.

In the absence of changes to current planning rules, the NSW Government should take responsibility for approval of new recycling infrastructure by identifying and acquiring sites with the support of local communities, securing relevant approvals and tendering to commercial operators to construct and operate the facilities.

By removing the approval risk, such assets will be attractive to operators and will enable an increase the State's recycling capacity.

Recommendation 6: That the NSW Government identify and approve new sites for waste and recycling facilities for subsequent construction and operation by the private sector.

It currently takes over 24 months for a recycling facility to be approved in NSW. This is longer than for a mine. If the Government is serious about increasing the rate of recycling, then this has to change.

In its Development Assessment Report Card 2015, the Property Council of Australia ranked States' and Territories' planning systems against a series of planning principles. It found NSW to be second last and marked NSW down especially for a lack of effective policy development and a lack of objective rules and tests. Agency staff changes and regularly changing interpretation of development requirements create significant uncertainty for applicants so that in practice only larger operators have the capacity to seek approvals for new recycling facilities.

While planning rules must always be applied consistently and fairly, the black letter application of planning rules rather than a risk management approach means operators focus attention on compliance matters rather than worthier pursuits such as how to increase the level of recycling. For example, a recent relocation of a roll-a-door 10 metres took several months to pass through State Significant Development protocols despite the impact on neighbours and the community being nil.

Smaller waste industry operators simply don't have the size and capacity to proceed with lengthy and uncertain planning proposals. Consistent, pragmatic planning will enable, rather than hinder, the development of additional recycling capacity.

A report prepared by Mike Ritchie & Associates for the Australian Council on Recycling (Western Sydney Waste Management: Capacity, Needs and Infrastructure, December 2018) found that by 2021/22 NSW would require an additional 5.18 million tonnes pa processing capacity across 36 new recycling facilities to meet the targets. 4,766 jobs would be created and \$1.1 billion in economic value would be created from gate fees each year.

However, the complexity of the NSW planning system means that the likelihood is low that new infrastructure and capacity will be delivered in the needed timeframe without reforms to the approvals process.

The Department of Planning, Industry and Environment is currently reviewing the Environmental Planning and Assessment Regulation 2000. How to facilitate expanding recycling capacity should be considered as part of the Department's review.

Recommendation 7: That the findings of this consultation on the 20 Year Waste Strategy should inform the Department of Planning, Industry and Environment's current review of the Environmental Planning and Assessment Regulation 2000. DPIE's objective should be to reduce the unnecessary administrative burden and increase procedural efficiency of the NSW planning system to facilitate expansion of existing recycling facilities and encourage the establishment of new recycling facilities required to process forecast waste volumes.

Unlicensed operators

The Protection of the Environment Operations (Waste) Regulation 2014 introduced new thresholds at which the processing, recovery and storage of waste trigger the requirement to hold an environment protection licence.

For resource recovery, non-thermal treatment waste processing and waste storage the threshold was reduced from 30,000 tonnes throughput a year to 6,000 tonnes a year. However, the scrap metal threshold was not reduced and remains at 30,000 tonnes a year, despite previous commitments from the EPA to do so.

Whereas legitimate operators face delays and uncertainty through the planning system, unlicensed rogue operators get away with operating substandard, unlicensed and often unapproved facilities. It is estimated that about 40 operators process tonnage within the 6,000 to 30,000 tonne throughput range. A level playing field where operators are licensed is fairer and will lead to a safer, more reliable industry.

Recommendation 8: That the EPA implement its previously planned reduction in the scrap metal licensing throughput threshold to 6,000 tonnes a year.

AFFORDABILITY

Landfill gate prices and Waste Levy fees are significantly higher in NSW compared to other States. The Government's own report (Marsden Jacobs & Associates, Industry Concessional Waste Levy Transition Options 2019) found that removing or reducing the concession means that recycling will be reduced.

As well as impacting operators' bottom lines, high Waste Levy fees provide a strong incentive to avoid the levy by transporting waste interstate to lower cost jurisdictions.

Following are recommendations to improve the Waste Levy and on how NSW should approach COAG's proposed export ban of recyclable materials.

Comparison of landfill costs

A state-by-state comparison of floc disposal fees shows total costs in NSW are significantly higher than other States when considering the landfill gate price (paid to landfill site operators) and Waste Levy (paid to government) for each State.

Sydney landfills are rapidly approaching full capacity and there are no new landfills on the horizon. This, combined with a lack of competition, among landfill operators has led to high landfill gate prices. Together high landfill gate prices and the high NSW Waste Levy results in Sydney tip prices being significantly greater than anywhere else in Australia.

Please see Annexure A, containing commercial-in-confidence information about the relative disposal costs.

The NSW levy is more than double that of Victoria and almost four times that of Queensland. General waste disposal costs in NSW are significantly higher than

other States. When considering both the landfill gate price and the Waste Levy, NSW costs are significantly more than both Victoria and Queensland.

The evidence supports the recommendations above that the reinstatement of the 50 per cent concession on the Waste Levy will remove the financial incentive for the interstate transportation of waste and incentivise recycling within NSW.

The NSW Waste Levy on residuals such as floc is effectively a tax on local recycling and gives rise to perverse outcomes. The Waste Levy should be structured to encourage and support greater recycling rather encourage disposal in other jurisdictions.

Removal of the 50 per cent levy concession will mean there will be more trucks on the Pacific Highway. For Sell & Parker alone the transport of material would require 35 B-doubles a week. These extra loads would add to emissions and depreciation of the Highway.

When materials are processed interstate, jobs in NSW are put at risk. Sell & Parker employs 350 people in NSW and in the past 12 months has bought scrap from over 7,500 collectors. Removing or reducing the concession will reduce employment in NSW, due to materials being re-directed interstate and impact the viability of the small collection businesses in the industry by driving up costs.

Sell & Parker currently pays over \$4.5 million a year in Waste Levy. The commercially rational decision would be to direct materials interstate and thereby pay no Waste Levy in NSW. This in turn affects the State's revenue and makes less funding available in NSW for environmental programmes.

In addition, the Government's own report suggests that with the removal of the 50 per cent concession, that the Government should "put in place a program to help regions maintain their recovery rate". Implementing such a program could come at further cost to the NSW Government, in addition foregone revenue from the levy.

For these reasons, if the Government is serious about meeting its recycling targets, the 50 per cent concession must be reinstated. The evidence supports Recommendation 2 (above),

Recommendation 2: That a 50 per cent Waste Levy concession for floc be reinstated to boost the sustainability and affordability of metal recycling in NSW.

COAG and export ban

In August 2019 the Council of Australian Governments (COAG) committed to work on a timeline to ban the export of plastic waste, and other recyclable waste such as paper, glass and old tyres.

4.5 million tonnes of waste were exported last year with the majority sent to Indonesia, Vietnam, India, Malaysia and Thailand so there is a lot of work to be done to prepare for the implementation of the ban.

This follows the Government of China banning imports of 16 types of solid waste including steel slag, post-industrial plastics, compressed auto pieces, small electric motors and insulated wires, and vessels from December 2018 under its National Sword policy.

The Prime Minister has indicated Australia's export ban will be supported by unprecedented public sector purchasing of recycled content products and incentives for domestic use of materials to be processed in a recycling facility such as tax credits for manufacturers and removal of regulatory barriers.

The proposed purchasing by the Australian Public Sector of recycled content products is consistent with the recommendation above to mandate the use of recycled material in NSW Government contracts and require the use of recycled material in Planned Precincts. The Federal Government has recognised regulatory barriers need to be removed and this is consistent with the recommendation above tackle delays and uncertainty in the planning system which work against the expansion of recycling capacity in NSW.

CONCLUSION

Sell & Parker is thankful for the opportunity to make this submission for consideration in the development of the Government's 20 Year Waste Strategy.

Waste management plays a central role in the circular economy. The long-term vision for NSW should be moving towards a circular economy that would encourage the development of sustainable waste management and resource recovery to deliver the best environmental and economic outcomes. At the moment, NSW is a long way from achieving that objective.

If the NSW Government is serious about supporting the expansion of the recycling industry in NSW, in making the State economy less dependent on offshore markets, ensuring NSW is well-placed to respond to COAG's planned export ban, being more resilient to external shocks and enhancing NSW's sustainability then real action needs to be taken in the 20 Year Waste Strategy.

Recommendations in this submission focus on deliverable initiatives to support a transition to the circular economy. The recommendations address NSW's recycling framework, the most expensive waste fees in the country, the failure to meet recycling targets and a planning system which inhibits any growth in recycling capacity.

Should you require any further information about any aspect of this submission, please do not hesitate to contact us.