

# TRANSCRIPT

## LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE

### **Inquiry into recycling and waste management**

Melbourne—Monday, 24 June 2019

#### **MEMBERS**

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Mr Clifford Hayes—Deputy Chair

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Ms Melina Bath

Mr Jeff Bourman

Mr David Limbrick

Mr Andy Meddick

Dr Samantha Ratnam

Ms Nina Taylor

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#### **PARTICIPATING MEMBERS**

Ms Georgie Crozier

Mr David Davis

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Dr Catherine Cumming

**WITNESSES**

Cr Coral Ross, President, Municipal Association of Victoria,

Ms Kerry Thompson, CEO, Municipal Association of Victoria, and

Ms Claire Dunn, Manager, Environment and Regulatory Services, Municipal Association of Victoria.

**The CHAIR:** I do not need to go through all the formality; I just want to welcome Ms Ross, Ms Thompson and Ms Dunn from the Municipal Association of Victoria. Thank you for making yourselves available. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law. However, any comment repeated outside this hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament. All evidence is being recorded. You will be provided with a proof version of the transcript in the next few days. We are starting a bit late, and thank you for agreeing to start late. Would 10 minutes be okay to give a presentation in your hands? And then we will ask a few questions after that. Who would like to kick off?

**Cr ROSS:** I will start. My name is Coral Ross and I am the president of the MAV. I am joined by Kerry Thompson, who is the CEO, and Claire Dunn, who is our senior policy manager and our expert in waste and recycling.

**Dr CUMMING:** Sorry, how many councils do you represent, President?

**Cr ROSS:** I represent 78 of the 79 councils, and I did hear that it was a question that you asked earlier to the VLGA.

**The CHAIR:** What happened to number 79?

**Cr ROSS:** They are on their way back. We understand it is in their budget for this year.

**The CHAIR:** So you have pretty much got a closed shop. That is good.

**Cr ROSS:** Well, it is voluntary. It is not compulsory to be a member, but next month we celebrate our 140th birthday. We provide for councils' insurance, WorkCover and procurement. We arrange the Local Government Funding Vehicle. We provide advice, policy, training and advocacy, and we are on the Australian Local Association board—two of our board members are on the Australian Local Government Association Board. We are the peak body for local government in Victoria.

Good afternoon, everyone. Before I begin I would like to acknowledge the traditional owners of the land on which we are meeting, the Wurundjeri people of the Kulin nation, and pay my respects to their elders past and present. I would also like to express my thanks to the Environment and Planning Committee for inviting the Municipal Association to be here today to share our views on how Victoria's waste and resource recovery system could be strengthened.

In the short time that I have been the MAV president, which has been since March, recycling and waste management issues have very much dominated the agenda. The last 18 months have been costly and difficult for councils and communities as the recycling sector struggles to adjust to a post-China National Sword world. It is the MAV's great hope that the current challenges facing our recycling system will serve as a catalyst for significant reform and investment to help speed up our transition to a circular economy.

Early this year the MAV consulted member councils about the development of a new strategic plan. Waste and resource recovery was identified as the second-highest issue in our sector, with the clear message being that we urgently need federal and state government leadership and investment to achieve a system that is sustainable and responsible. In March the MAV launched a *Rescue Our Recycling Action Plan*, which is detailed in our submission. This plan reflects our view that there are three levels of government, as well as the private sector and the community, that are responsible for managing our resources sustainably. The plan identifies five key actions for each tier of government which will achieve lasting beneficial change for our recycling system. In

May this year at our MAV State Council—I am sure the former councillors will know very well that it is a meeting where representatives from every single council get together to identify issues of concern and objectives and the strategic priorities of the MAV—again, recycling and resource recovery issues dominated much of the discussion for the day, and in fact they were the largest number of motions put to state council. Again at ALGA this year, just last month, it dominated the discussions, and again it was the largest number of motions put to the ALGA conference—it was more than 10 per cent of those motions.

**Dr CUMMING:** The ALGA is the—

**Cr ROSS:** Sorry, the Australian Local Government Association, which is a meeting of all states and the Northern Territory. I chaired a workshop at the ALGA conference which was on waste and recycling and it was a workshop attended by more than 100 councillors from across the country. I was very keen to be here today in my capacity as the MAV president to make it very clear that waste and resource recovery is a priority issue and a concern of local government and the communities that we represent. We at the MAV and the local government sector are very keen to work in partnership with the Victorian government and the federal government and with industry and with the community to achieve a resilient, responsible and sustainable resource recovery system. Thank you. I will now pass on to Kerry.

**Ms THOMPSON:** Thank you for the opportunity.

**The CHAIR:** Ms Thompson, if you can repeat your name, just for the purposes of Hansard. Thank you.

**Ms THOMPSON:** Kerry Thompson, CEO, MAV. I would just like to add a few more additional comments, and then we will gladly take questions from the committee. I would like to support the president's comments regarding the importance of this issue to our sector. I have been in the role now for about 10 months, and it has dominated my 10 months in the role as CEO. It is not often that all Victoria's 79 councils share the same view on an issue, but in relation to calling for greater state and federal leadership and investment in waste and resource recovery, councils are united. Our draft submission was provided to all councils and supported. All councils—metropolitan, regional and rural—are calling for transformational change to our waste and resource recovery system.

With the benefit of hindsight, it is now clear that there was little appreciation or understanding within any level of government of the implications of the China National Sword policy for the Victorian recycling system. Based on events of the last 18 or so months, it is also questionable whether our recycling industry understood and anticipated the impacts. In addition to a lack of action in anticipation of National Sword, we believe there has been a broader failure across all three tiers of government to consider the overall health and robustness of the recycling system over a long period of time.

Given the system has been built on the back of strong export prices, market downturns should have been recognised as a significant vulnerability. Long-term investment and planning to reduce waste generation and to create a strong domestic recycling sector should have been treated as a priority by state and federal governments. While Victoria's recycling system has already experienced severe disruption as a result of the China National Sword policy, we fear that it is only a matter of time before further significant disruptions occur.

Analysis of waste export data completed by Blue Environment for the Department of Environment and Energy notes Australia exported 343 000 tonnes of waste in February 2019, representing an increase of 29 per cent from January 2019. Each of the six countries that received 81 per cent of Australia's waste in February 2019 have announced or implemented waste import restrictions of some kind. The possible future impacts of the restrictions are somewhat unclear. What is clear is that Victoria and Australia remain very vulnerable to further global market shifts and that there is an urgent and immediate need to develop and strengthen our local recycling capacity and capability.

Finally, as strong supporters of the waste hierarchy, we and councils ask that the committee not lose sight of the fact that our first priority should always be to avoid waste generation altogether. As consumers we tend to view recycling as a panacea that can make any level of consumption sustainable. This thinking needs to change. I refer to the recent VAGO report on *Recovering and Reprocessing Resources from Waste*, released in June, and

want to acknowledge the alignment of that report with the MAV submission we present to you today. Thank you. We are looking forward to your questions.

**The CHAIR:** Thank you both for your presentation. I just have one quick question and then I will pass on to the members. Just going back to your comments in relation to the state government and the federal government, it is like it is everyone's fault but not local government's. Given the council's—

**Cr ROSS:** That is not fair, Chair. We did not say that.

**The CHAIR:** I am being purposely provocative because I am searching for answers, so do not take it personally. Given the councils have managed waste contracts, what did they do to prepare for the China National Sword policy? I think the state governments and the federal government and everyone around the country did not do a great job, so I am keen to actually ask you what your members have done in that space and what sort of roadblocks they have got in front of them now. I am keen to hear what responsibilities councils have in that space, as you are managing the contracts.

**Cr ROSS:** Just before you answer that question I would like to say that we do not regard it completely as the state government's fault. It is not that it is one particular partner's fault. I said at the beginning our strategy is that we all have our levers and we all have our responsibilities and we need to use those levers and we need to use our responsibilities. We all work together and we can solve the problem. There is no point doing a blame game. We are saying that all three levels of government need to work together.

**The CHAIR:** I appreciate that. On that question, what sort of areas are the councils doing in that space?

**Ms DUNN:** I would be the first to say I think councils, along with state and federal government and industry, did not appreciate or understand what the impacts of China National Sword would be. We became active in this space around January 2018 when we first started fielding a number of queries from councils. Predominantly rural councils in south-west Victoria and Gippsland were being approached by their recycling service providers demanding a price increase. Councils were very much caught off guard by this and did not feel that they were getting adequate support from their contacts within the state and so they came to us looking for support and advocacy.

One of the difficulties for councils last year was that they had the recycling service providers demanding price adjustments but the same recycling service providers were reluctant to provide information to justify why that price adjustment was reasonable, where the material was going and the like. It certainly became clear that there was limited transparency with how the sector operates, and I think it would be fair to say all levels of government and the community tolerated that while the market was there and the material was moving, but when things changed dramatically, essentially with the loss of the China export market, it caused everyone to stop and look at the system much more closely and realise how little we know about how it works.

**The CHAIR:** Thank you on that, and I will finish up by saying the reason I have asked this question is because I think the blame game had to stop. Have you got a way forward where of the three levels of government—federal, state and local government—who needs to lead this? Is it best for a state government in the middle to lead it? You have got the federal in some areas and local councils as the delivery, so what is the best solution going forward so we can actually get on top of the problem?

**Ms THOMPSON:** Chair, we tried to summarise that in our two-page *Rescue Our Recycling Action Plan*. In that we talked about the actions that the Victorian government could take, the federal government and the local government, so I am more than happy to go through those. For the Victorian government, we had 'Action 1: Invest in recycling infrastructure', and that was to commit greater quantities of the Sustainability Fund money to bolster sorting and processing capability in Victoria; 'Action 2: Fund and support market development', to commit greater quantities of Sustainability Fund money to drive demand for recycled content; 'Action 3: Introduce a container deposit scheme'; 'Action 4: Bolster community education', so it was a commitment to greater investment into the community education campaign; and 'Action 5: Strengthen industry oversight and regulation', so that is what Claire is referring to about having some transparency and regulation around the industry.

For the federal government: ‘Action 1: Mandate product stewardship’; ‘2: Tackle consumer packaging’; ‘3: Strengthen the national waste policy’; ‘4: Regulate/ban production and importation of hard-to-recycle materials’; ‘5: Standardise package labelling and certify use of recycled content’.

For local government: ‘Action 1: Collaborate for market expansion’; ‘2: Educate the community’, so that was a real joint partnership we saw with the state in that space; ‘Action 3: Buy recycled’, where feasible for our own capital works and projects; ‘Action 4: Explore stream separation’, which is the issue you have heard about around contamination of streams of recycling; and ‘Action 5: Advocate to and work with the federal and state governments to achieve the reforms outlined in the sections above’. So we were very clear that we want a partnership.

**Cr ROSS:** And we have taken this to the ALGA board—to the Australian Local Government Association board—for them to lobby and to speak directly with the federal government, and that was part of what they were doing last week as well. We would welcome the state government to do the same with the federal government as well.

**Ms TERPSTRA:** Thanks for your submission today. Just two questions. First of all, we have heard throughout the hearing about procurement practices and that that can drive demand for recycled material sometimes. Could you just explain or expand a bit for me on perhaps what you are doing to support your members in that space and encourage them to set targets to include recycled materials in things like building roads or constructing roads? Could you just tell me a bit about how you are supporting them and what you are doing there and the response that you have had, whether that has been positive?

**Ms DUNN:** Sure. It is certainly an area that we are very keen to do more. You are probably aware that MAV has a procurement arm and so we feel that we are uniquely placed as a local government peak body to do more work in that space. I have no doubt—I know—that there is strong support across the sector to bolster demand for recycled content. One of the challenges, I think, around procurement policies and potential procurement targets is that there is a lack of understanding or a lack of quality data currently to measure how much use of recycled content is already occurring. We know, for example, certain road surfacing specifications already allow or permit the use of glass fines, crushed concrete and other material. When councils and also the state government go to tender and choose their preferred supplier, the requirement is that those providers meet the specification. They do not necessarily report back and say whether they chose to use virgin material or recycled content to meet the specification. So there is, I think, a whole lot of work that needs to happen around measuring where we are at currently with the use of recycled content. It is very much high on the agenda of the MAV that we want to do more in this space. It is really a case of limited resources at this point about what we can do.

**Ms TERPSTRA:** I think you have just answered my next question, probably, which was: are you prepared to do any analysis around some of these things? But I think you have probably just looked at that in terms of you saying you have got limited resources, but also you have mentioned that there are some issues with data and reporting around what is—

**Ms DUNN:** And we are also aware, as probably are you, that SV—Sustainability Victoria—are doing work currently around this, more with a focus on state government procurement but they have signalled an intention to roll that out also towards local government. And I know the Metropolitan Waste and Resource Recovery Group and other state agencies are also contemplating how they might support councils with what is already occurring in that space, so it is also a case of working out who should do what and who should lead what.

**Ms TERPSTRA:** Just finally, are there any councils amongst your members that you could sort of point to to say they are doing best practice or are leading the field in terms of procurement requirements? Are there any particular councils that you are aware of?

**Ms DUNN:** In the case of road surfacing there are a number of councils that have done pilot projects for a number of years actually. Hume is often cited as a recent example, Stonnington is another, Bayside I think was in this space years ago. It is interesting in the case of the road surfacing example that it is unclear what the barrier is for that to then become the mainstream way of proceeding. I think part of that is still some nervousness about the quality and safety outcomes, not that there has been anything to suggest that they are

substandard currently. I think for whatever reason that has not become mainstream. I am aware that the City of Melbourne is looking at changing their procurement policy—or maybe they have already changed their procurement policy—to specify a weighting of preferences for use of recycled content. A lot of councils are looking at it.

**Ms THOMPSON:** Could I just add there is a barrier for rural councils around the transportation costs. Quite often when they seek a specification, again this is particularly around road resurfacing and those areas, the contractors will say, 'It's a lot cheaper for us to get the virgin material from local quarries than what it would take to get from Melbourne into Victoria'. I have heard something like if it is over 100 kilometres, they really prefer not to have to try to get material that is not close by.

**Dr CUMMING:** Thank you for your submission. I gained from your submission that one of the major hopes is that there is a statewide education campaign, seeing that there obviously are a lot of individual councils doing individual education campaigns, with individual councils doing little pilot projects rather than a statewide 79-councils approach towards waste. Obviously because we have this clunky system rather than a statewide approach I think we are in this predicament with individual council contracts not all really saying the same things. What I understand from the community is that they believe, and councils and the sector have believed, that by contributing to a waste levy for 10 years there were going to be statewide solutions.

In your submission around hoping to work with the state government, local councils and the community, if there is a lack of leadership nationally, do you see that there are things that the state could possibly pick up so that we can do a statewide approach to looking after our own waste? Are there things in the way of planning controls so that currently—with your local government hat on—we could actually fix the gaps that have occurred due to not understanding what we recover, where it actually goes, and having it stockpiled in warehouses? Is there something in the way of what I have heard earlier from previous submissions around that it seems to be an EPA problem, Sustainable Vic is doing their own thing, then you have got the metropolitan waste recovery group, who have got another? Is there something that you can see that could actually help with a proper statewide approach?

**Ms THOMPSON:** I will start, and I might have Claire pick up some of those questions. Just back to the first component of the question, community awareness, we do believe statewide mainstream media is what is required. That does not mean that local government would not come and back that up with local community programs, but we think we have got to make sure we are all on the page and we have got our messaging clear and we do that at a state level, so that is the one there. In reference to I think it was product stewardship at the federal level if I have heard that question right and there is not product stewardship again between state and local, yes, we could still do a lot of education in the avoidance of waste and have the community understand what waste is, what they can do and what they can change in their behaviour to prevent that and why we do not have product stewardship. The last was contracts, I think—

**Dr CUMMING:** Yes, just contracts, and obviously the current situation of stockpiling, but I forgot to mention my other bugbear, which is dumped rubbish on the sides of roads.

**Ms DUNN:** I will go to stockpiling first. I think it is important to differentiate between both legal stockpiles that might not be complying with the EPA's waste policy and the illegal stockpiles of hazardous waste that have been detected across Melbourne. In the case of the legal but not necessarily compliant stockpiles, I think one of the clear causes of those stockpiles is the lack of markets for the materials. We have lost our predominant export market and we are losing our other ones. We know that Malaysia, India, Vietnam and others—Indonesia—are either already restricting their importation of material or have very clearly signalled that they intend to do so. The recycling service providers are losing markets, so it is very difficult for them to then move the material, and that will lead to stockpiling.

What we have also learned through the temporary closure of one major recycling service provider earlier this year is that we are very dependent on that one provider. If they are unable to continue to receive material, we do not have sufficient capacity in our system to prevent that material from going to landfill. We have one service provider that takes more than 50 per cent of the state's recycling, and we had some 34 councils—or less than 34 councils, probably around 30 councils—sending material to landfill earlier this year simply because there

was nowhere else for the material to go. So we have clearly a lack of capacity in Victoria, which I think needs to be addressed as an immediate priority.

**Dr CUMMING:** That is infrastructure—recycling infrastructure locally.

**Ms THOMPSON:** Can I just add there that there were collaborative contracts in place for those councils. The contingency plan also meant there were not enough options of other recyclers who could take that material at the time.

**Cr ROSS:** And if I could just add to the point that you asked before, one was about the community awareness. One of the things why we really do need a statewide education project is to restore trust. Because so many councils had to have their recycling go to landfill, there is a distrust amongst the community, so that is why you need to have a statewide campaign. When you talked about product stewardship, something else that can be done on a statewide level is the container deposit scheme. That in itself is product stewardship.

**Ms DUNN:** Can I just also quickly add: we seem to keep circling back to council contracts, and it concerns me that that is seen as a standalone solution for our recycling situation. I just do not think that that is an accurate representation of the situation.

**Dr CUMMING:** I think the point that I am making is: where does the recovered go? As in, as a community we should be looking at doing our waste locally and having local solutions rather than thinking that we can send it off to Vietnam or Malaysia or India or Bangladesh. We should have the recycling facilities and the plant here to actually recycle our plastics and make them into pellets so that they can be re-used, and we do not seem to have that. I guess my issue is this stockpiling. We are sorting. We are so-called 'recycling', but we are storing. There is no recycling, sorry. There is no recycling; we are collecting.

**Ms TAYLOR:** I have a couple of questions. You were talking about a dominant operator that councils have been using, and I think you might be referring to SKM. That is, I think, at least 50 per cent, if not more, of the market. I was wondering why councils—I am just putting this out there—would not diversify to go to other operators. Why is there the tendency just to keep going to a poor operator, if that makes sense?

**Ms DUNN:** Local government, under the Local Government Act, have obligations around their procurement practices. They did go to market, and in this particular case those 34 councils at different times opted to go with SKM, presumably on the basis that they came up with the best offer. SKM, in fairness to them, have been investing heavily in their operations. They are a dominant provider. Now we know there are certain issues in how they operate, but whilst the market was there and China was there things were seemingly running okay. It is worth noting that there are two sizeable collaborative contracts in place. There is the one involving—we call it the G21 contract, which is Geelong, Queenscliff, the Surf Coast, Golden Plains and Colac Otway, I believe. They are with SKM, and that was originally brokered through a waste and resource recovery group. Likewise, the Metropolitan Waste and Resource Recovery Group has a contract with five councils that also opted to go with SKM. There is a view I think that collaborative contracts will solve our issues, but what they have actually done in the past is potentially further consolidated the market with one dominant player. That is the risk—that one dominant player comes up with the best offer, and councils under the Local Government Act have certain obligations around achieving best value for the community. That is not just a cost consideration, but if someone, as SKM did, could show that they were investing in their operations and were making promises or undertakings around further investment, about what they would do, I think the councils would have good reason to choose them as their preferred provider.

**Ms TAYLOR:** The discussion before with the Metropolitan Waste and Resource Recovery Group was around collaborative contracts, and we talked about that. I should put the caveat that no-one thinks that procurement is the cure-all. There are so many layers to this. It is just that is quite relevant in this present discussion, so it would definitely not be a blanket solution, absolutely not. So I put that as the caveat ahead of my question. The Metropolitan Waste and Resource Recovery Group cannot coerce councils to participate, and there is an incentive because you have got price and diversity is better in the long run. What are you able to do to drive councils—as many as possible—to get on board with those collaborative contracts, as a peak body?

**Ms THOMPSON:** Can I just start, because in the last collaborative contract we did provide feedback on from the MAV perspective. It is fair to say we thought it favoured industry more so than the councils. Your question about what would you do to get councils more on board, I think it is really about thinking through some of those clauses and what is in there. I think we would be—if we could have hindsight and time again—looking for a lot more transparency from the industry and a lot more regulation so that they would flag under their contracts if they were stockpiling or if they were having issues about selling and give information to the market, if we could have that in the contract. That was not in what I call the model contract in that space. So I think we can get a lot better on the guidelines and how we support those contracts. I think that would then have councils come on board if there was a level of feeling like there was transparency and there were real contingency plans for options. If there was stockpiling, what does that mean? Because no council wants to send their recycling to landfill. It is not just a cost issue; it is very much a loss of trust with the community.

**Ms DUNN:** So another relevant consideration and feedback we get from councils is that there is some sort of question mark about the appropriateness of a state agency in the form of a waste and resource recovery group conducting a group procurement on behalf of councils and whether or not there is any potential for conflict of interest there. What we heard earlier this year when SKM temporarily closed is that a couple of councils that were in the collaborative contract found it more difficult to find a short-term resolution because they were party to a group contract than those councils that were in standalone contracts and who could more easily manoeuvre and have conversations with other providers to try to find contingency arrangements themselves. There is, I would say, potential for a conflict of interest when you have a state agency leading that particular action on behalf of councils.

**The CHAIR:** So on that, is there a reason why the contract was not enforced, for example, with the SKMs of the world or Visy? A similar case I can think of now is an American company that has had issues with waste-to-energy this year, and they went and enforced the contract. Is there a reason? What was the difficulty in trying to enforce the contract with these two providers? Between that they have got 100 per cent of the market—is that about right?

**Ms DUNN:** So last year, when councils were receiving demands for cost increases from the recycling service providers, there were a number of councils that did have more sophisticated contracts in place and who did have the option to try to enforce the contract. The clear message they received from the recycling service provider is, 'Go ahead; we'll hold you up in court for years, and you'll have lost your services'. So the clear message from the community was that they wanted their recycling services to not be disrupted, to continue. The state government at the time also felt very strongly that way, as did local government. We were also aware—we were hearing about the impacts globally. It became quickly apparent that this was not just a Victoria-wide issue, that the market really had changed and contracted significantly, and so those councils that could have enforced the contract instead chose to accept the price increases and continue their service. And it really came back to again you having sort of two or three dominant providers in Victoria basically providing what the community considers to be an essential service.

**Dr RATNAM:** Thank you very much for all the work you are doing and your very insightful submission, both as you provided to the committee previously and this afternoon. It has been very valuable. Just picking up on the point of vulnerability, obviously with the China Sword policy coming into effect it was a very poignant illustration of just how vulnerable we were here in Victoria and right across the country. How vulnerable do we remain? Have the vulnerabilities been mitigated? How worried are you that another shock in the system could see us returned there? Or do you feel like we have responded adequately?

**Ms THOMPSON:** We feel very vulnerable. If we get through a week and we have not had one of our recyclers either provided with a notice or closed down on taking more recycling, we think that is a good week. So we do feel extremely vulnerable. We believe that it is only, as I said, weeks away and we could be in the same position.

**Dr RATNAM:** So what is happening now with the contracts? So we had this inversion of what occurred, where councils were paid for their recyclables; suddenly they have to pay for their recyclables to be taken by the same companies. We had the government offer some money to help broker those changes in contracts, and that has been tiding people over. Is that the situation currently? So are councils paying for that recycling? What is occurring right now and how are councils managing it?

**Cr ROSS:** I will start, and then please come in. We have gone from a system where councils were being paid for their recycling to a system where councils are now paying. So it is probably a changeover of about \$160 a tonne for councils. There was money that was provided to councils a year ago when those issues arose a year ago. The problem is for the 34 councils in February, which had to send recyclables to landfill—those ones are out of pocket, and we think that it is up to \$30 000 a week for each of those councils—the cost of sending it to landfill and transportation costs. And on top of depositing the recyclables at landfill, they are also paying the landfill levy as well, on top of that. So that would be an initial introduction.

**Ms DUNN:** I would just add: there was temporary relief funding offered to councils last year. It was \$12 million in total. It was gratefully received, that funding, but it is important to note that it was for a finite period of time, from March to 30 June last year, and it really was to assist councils with unbudgeted cost increases for that period, pending their new financial year budget coming into play. So it was apportioned at a rate of \$60 per tonne for councils, and the cost turnaround, as Coral mentioned, was significantly higher than that for councils.

**Dr RATNAM:** It was temporary funding, so that helped meet some of the costs. So right now the councils are bearing the costs of \$160 per tonne for recyclers to collect their recycling—

**Ms DUNN:** Correct.

**Dr RATNAM:** So the outstanding amount is the landfill levy—well, how much they had to fork out to send their recycling to landfill for that interim period—so there is that unmet cost.

**Ms DUNN:** Yes, so again this year with the SKM closures we had around 30 councils sending material to landfill. That came at significant additional cost in terms of paying the landfill levy and also transportation costs.

**Dr RATNAM:** And did that relief funding help meet some of those costs?

**Ms DUNN:** No, so the relief funding was for 2018, March to June, and that was just the initial cost increases associated with China National Sword. With the cost impacts this year with the SKM temporary closures, there has not been funding assistance to councils.

**Dr RATNAM:** So they have been borne by the councils and the councils continue to bear the costs of now having to pay for recycling to be collected?

**Ms DUNN:** Correct.

**Dr RATNAM:** We were talking about the anticipation of the China Sword policy, and you mention in your submission that the government had not briefed MAV on the issue prior to the China Sword policy really taking effect. There were warning signs as far back as 2013 when the World Trade Organization was alerted by China, for example. What more do you think could have been done to mitigate some of the impacts of the China Sword policy, when it did have an impact in Victoria, by the state government?

**Ms THOMPSON:** Gee, hindsight makes us all wiser, doesn't it? I think that we—I say we, so it is federal, state and local—should have probably done a real analysis about what this was going to do. Again, I think if we had transparency over the industry and we knew what recycling they were collecting, what they were exporting, we may have been able to do that analysis and go, 'We're going to have a real problem'. My sense is none of the players in the market—so federal, state, local and industry—realised the impact of the China National Sword policy position, and as I said, I am not aware of any analysis or looking and seeing what the impact was going to be.

**Dr RATNAM:** Has the response post-China Sword policy and the crisis that we saw over the last six to 12 months from the state government working with local government improved in terms of consultation, communication, briefing, collaborative work to problem-solve? Has that improved?

**Cr ROSS:** We certainly have met quite frequently with the minister. There has been a round table meeting, so that has been very productive in that way. We have expressed our disappointment that there was not more in

the coming financial state budget for recycling, but certainly we are having more conversations. The state government is being very cooperative with us. If I could just add: when I said \$160 time turnaround, it is the highest amount I have heard of from one metropolitan council. I think on average it is about \$120 to \$130, but the highest I have heard of is \$160.

**Mr LIMBRICK:** Thank you for your presentation today. I have got two questions on two different topics. The first one I will probably direct to Ms Dunn. It is about procurement policies. My understanding is that the rationale for procurement policies is that certain recycled products are either more expensive or have different specifications—so they are not market competitive—so a procurement policy is a way of purchasing those for the perceived benefit that having more recycled materials and a bigger market is good. I would like to look at how you balance that positive benefit against the costs. We talk a lot about the benefits here and not much about the costs. From my point of view the costs are that through these procurement policies that you have recommended you are forcing money to come from taxpayers through to these companies that are not producing products that are market competitive and in the process increasing poverty by taking money from taxpayers. How do balance off those costs versus the benefits?

**Ms DUNN:** I think if you look at whole of life cycle costs for a product or a service, taxpayers are bearing the costs now—or ratepayers, really—in the form of this material being sent to landfill and our increased recycling service costs. I think one of the benefits of setting a procurement policy that perhaps favourably weights use of recycled content is that it provides an incentive for people to invest in manufacturing capacity or the like to increase capacity to produce products and services using recycled content. I think currently you might find that the use of recycled content is more expensive than the use of virgin material, but perhaps that is because the environmental impacts of the use of virgin material are not adequately costed so the life cycle costs are not adequately costed.

**Mr LIMBRICK:** We have had some people appear before the inquiry and say, ‘Our products are market competitive and we don’t need these sorts of policies’.

**Ms DUNN:** I agree. We have heard the same, particularly around again road resurfacing. Depending I guess on the proximity, as Kerry mentioned, in rural areas, if you are closer to a quarry the use of virgin material is probably going to be more cost competitive than, say, the use of crushed concrete or glass fines and the like.

**Mr LIMBRICK:** But the example given before of a rural council that would have to transport these recycled materials significant distances, if they had a mandatory recycled content, that would be a significant cost to those communities, would it not?

**Ms DUNN:** I am not sure that we would say necessarily mandate recycled content. I think obviously the devil would be in the detail about how you would structure the policy, but it might just be in terms of weighting preferences. So it might still work out even with a weighting preference of, say, you add 10 per cent more weighting if there is use of recycled content but it still does not stack up for certain rural councils because of the cost impacts. It is not necessarily mandating use of recycled content; it is really around incentivising use of recycled content.

**Mr LIMBRICK:** My other question was around a container deposit scheme that you strongly recommended. One of the objectives of a container deposit scheme is to increase the volume of recovered materials, but on the other hand one of the problems at the moment is we have too much raw recycled materials. I am wondering why you would recommend something that is actually going to increase that problem of having these large amounts of raw materials to be recycled?

**Ms DUNN:** Generally the benefits of container deposit schemes have been around reducing litter. Also, they are underpinned by product stewardship principles, so essentially underpinned by polluter-pays principles. I guess in terms of reducing litter you might be increasing your recycled streams, but certainly from our perspective that would still be a positive outcome. We would not, again, put a CDS as a standalone this-will-fix-everything solution. There still needs to be market development for pull-through demand for recycled content. What really does appeal around the CDS for us is that it is around the polluter-pays principle, and attaching a cost to an item actually is also around educating the community around the value of resource recovery, providing a financial incentive to dispose of that material appropriately.

**Mr LIMBRICK:** But there are also going to be extra costs for consumers as well, aren't there? Because they are going to have to collect this material separately that is currently going into the yellow bin and transport it to the MRF and do all that, and in rural cases that could be a significant travel distance?

**Ms DUNN:** It would really depend on what model you used for a CDS. There are different models in place across Australia and also internationally, so I do not think it would be fair to say there is one CDS model. For us we would have a strong interest in being involved in any sort of design conversation around what a CDS would look like, because there is certainly a risk for local government that it would be very costly to local government if it is not properly underpinned by product stewardship principles.

**Dr CUMMING:** You would want a statewide approach there too, otherwise individual councils have individual systems, like parking machines.

**Cr ROSS:** If we could give you an example from Queensland, which introduced a container deposit scheme on 1 November 2018. According to the Queensland government in the first six months of operation half a million containers have been returned, more than 640 jobs have been created and \$50 million has been returned to Queenslanders, charities and community organisations through the scheme. About 3400 community groups, schools, charities and sports clubs are benefiting from those refunds. That is the system that they are obviously using in Queensland. They are getting community groups like schools, the traditional scouting type groups, to collect the containers, and they are receiving the money and \$50 million has been returned.

**Mr LIMBRICK:** But that \$50 million also came from consumers as well, so it is not free.

**Cr ROSS:** Yes, it is, but I am just giving you an example of how the system worked in Queensland, and that was introduced, as I said, in November last year.

**Mr MEDDICK:** I thank the three of you for appearing this afternoon. I also want to congratulate you on your original submission; it is probably one of the most detailed and considered that I think this committee has seen. You have covered such a massive range of subjects and I believe you have pretty much touched on everything that is of concern to every single council. I just want to focus if I can—because the others, my colleagues here, have focused on so many other parts of the submission—on regulation and enforcement. Your submission is quite critical of the capacity of the EPA in this area, and in your submission you particularly state that there is not enough of a presence in rural and regional Victoria surrounding the EPA. Am I to assume that this includes not just offices but compliance staff as well?

**Ms DUNN:** Correct.

**Mr MEDDICK:** Okay; good. And surrounding that then, what sort of expansion levels do you believe are needed and would recommend, and have you done projections on costs and presented this to the government? I bear in mind my colleague Mr Limbrick's comments on the container deposit scheme; have you done any work around perhaps the container deposit scheme and what that raises being put into the EPA in comparison with the EPA levy and how that then can be used to employ compliance officers and to establish these staff in rural areas?

**Ms DUNN:** The short answer to your question is no, we have not done that analysis.

**Mr MEDDICK:** Okay.

**Ms DUNN:** In relation to expanding the EPA presence in regional areas, if we could take that on notice we would consult with our member councils to get their views on what sort of presence is needed.

**Mr MEDDICK:** Wonderful. Thank you.

**Ms THOMPSON:** Can we add to that that the current pilot program, the OPLEs as we call them in councils, has been really well received. We know it is going to be expanded but again only to June 2020. It only covers a handful of councils, but that scheme where we have an EPA officer that can do all the work with a council and work side by side has been extremely successful.

**Mr MEDDICK:** Excellent. Thank you.

**Dr CUMMING:** What I am getting from even the container deposit scheme is that it would have to be a statewide approach. You would not want individual councils doing that?

**Ms DUNN:** You are correct; you are definitely correct.

**Dr CUMMING:** Obviously there is the Sustainability Fund, there is a waste levy, there are other sources that the state government obviously receives, then you have got council rates and then you have got local council waste levies; yes?

**Ms DUNN:** Yes, waste service charges.

**Dr CUMMING:** There seems to be a lot of money around and a big pool of it sitting there not being spent; is that correct?

**Ms DUNN:** So the council's waste service charge—I think there are seven councils that do not have a waste service charge and build their waste charges into their rates. When they determine those charges they factor the landfill levy into those charges, and then the state collects the municipal and industrial landfill levy. What they do not distribute to state agencies then goes into the Sustainability Fund. But it is sort of an ongoing concern to local government that that money, the landfill levy, is not used for its intended purpose.

**Dr CUMMING:** That fund actually pays for the EPA and Sustainability Victoria, as well as the Metropolitan Waste and Resource Recovery Group; is that correct?

**Ms DUNN:** All seven WRRGs.

**Dr CUMMING:** Does any of that go to DELWP as well?

**Ms THOMPSON:** Yes.

**Dr CUMMING:** So virtually all member councils collect this money for the state, for all of these organisations, hoping that they will have a waste solution for Victoria?

**Cr ROSS:** Please correct me if I am wrong, but I think roughly it collects \$200 million a year, and \$100 million goes to the various different departments that you are talking about and the other \$100 million goes into the Sustainability Fund.

**Dr CUMMING:** Feel free to have that question on notice so that you can provide more details so that the community knows.

**The CHAIR:** I have got one last question. I think, Ms Dunn, you did touch on that earlier, the procurement policy, and I think it is your submission as well to talk about how we can encourage local governments and state governments to start using part of their procurement to actually mandate a minimum amount of recycled stuff. What do you think is the best way to do it? Do we give an incentive? I think some comment was made about regional, for example, the virgin products next door. Should we sort of put in place some incentive, a credit system, for both local governments and VicRoads, for example, so that more recycled product is used on these major projects or infrastructure projects? Have you got any thoughts on that in a practical way?

**Ms DUNN:** Look, I think there are probably a range of measures that could be used, and it might vary depending on what the target service or infrastructure is. Generally I would say incentives may be needed in a number of cases. It is an interesting space. It is not easy to find out how people are successfully pursuing procurement policies that achieve greater use of recycled content, which I think also comes back again to the lack of data and really a lack of strong understanding about how much recycled content is currently being used. But we would support the use of incentives.

**The CHAIR:** I mean, legislating, for example, for recycled content. Because sometimes we just leave it to industry. We could probably be talking here in 20 years time facing a similar problem. So do you support an approach where we mandate the use of recycled product? Let us talk about roads. We have council-operated

roads, the state government manages roads—is that something we should consider recommending to government, for example?

**Ms THOMPSON:** I think it is something that should be absolutely explored, but I think we have got to balance that with the cost for rural roads. We have got a balance with the availability of the product and how you are going to measure that. But it could be part of a suite of a number of policies and options, to have a percentage of recycled product in contracts. But they could be state and local government contracts. The step before that is also making sure that you meet the required standards, whether it is road standards, so there is a lot of work being done about standard setting and doing research about how long those roads with that recycled content are lasting. So I think there is a bit of work to do in that space, but it could be part of the solution.

**Cr ROSS:** By creating the incentives, you create the demand, which in turn creates the industry. So without the demand you are not going to have so many players in the field.

**The CHAIR:** And that is the point I am making about we create the demand by mandating procurement. I think if with the research, the tests, the product has already been proven, if we are fair dinkum about it, cost should not be a factor. Is that a fair comment? Is that something you will support? Because we can always come up with excuses collectively—I am not having a go at you. But we always come up with the issue about, ‘What about cost?’. If we want to think about the environment and try to address the problem—that is why I am putting the challenge out—should cost be a factor, or we just say, ‘That is part of fixing the problems and we probably have to pay extra to achieve the outcome?’. Is that something you want to think about?

Okay, look, I will finish off by saying it should be a statewide policy to have some consistency, because to go back to the initial point I made earlier, and you made, is the two tiers of governments where it is time for some sort of leadership. Because we can only fix Victoria, so let us think about the two levels of government and a statewide policy to have consistency across the board. It is time to sort of come up with something that we can all enforce and adopt. Is that something the MAV will support?

**Ms THOMPSON:** Very much so. So we are looking for the leadership and we have got a sense of urgency about resolving the issues because we know it will take some time for policies and for us to get things happening on the ground.

**The CHAIR:** Cr Ross, Ms Thompson, Ms Dunn, thank you for your time. We appreciate it. Have a lovely afternoon. On that note, we will adjourn.

**Committee adjourned.**