

# TRANSCRIPT

## LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE

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

Melbourne—Tuesday, 25 June 2019

#### **MEMBERS**

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Mr Clifford Hayes—Deputy Chair

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Ms Melina Bath

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Mr Andy Meddick

Dr Samantha Ratnam

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Ms Georgie Crozier

Mr David Davis

Mr Tim Quilty

Dr Catherine Cumming

## WITNESSES

Mr Frank Lintvelt, Head of Strategy, Mergers and Acquisitions, Cleanaway; and

Mrs Penny Creswell, Senior Legal Counsel, Cleanaway.

**The CHAIR:** I declare open the Environment and Planning Standing Committee public hearing. All mobile phones will now be turned to silent. The committee hearing today is in relation to the inquiry into recycling and waste management, and the evidence is being recorded. I would like to welcome our witnesses for this afternoon, Mr Lintvelt and Mrs Creswell. I want to especially thank you for making yourselves available to give evidence today on behalf of Cleanaway.

All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further is subject to the provisions of the Legislative Council standing orders, therefore the information that you give here today is protected by law. However, any comment repeated outside this hearing may not be protected. Any deliberate false evidence or misleading of the committee may be considered a contempt of Parliament. You will be provided with a proof version of the transcript in the next few days.

As for the process this afternoon, I will give you 5 to 10 minutes to give us a broad outline. We have received your submission and thank you for that. So 5 to 10 minutes, then we will try to give committee members a chance to ask various questions. We will go from there—Mr Lintvelt.

**Mr LINTVELT:** Thank you very much. So on behalf of Cleanaway I would like to thank the committee for inviting us to provide our views on the challenges facing the Victorian recycling and waste management sector and for the opportunity to meet with you in person today to discuss our submission. We are Australia's largest total waste management company, with annual revenues over \$2 billion, 6000 staff and a national presence. We are headquartered in Melbourne and our operations in Victoria represent a large part of our overall business, with 1400 staff and over 50 depots and resource recovery facilities. Our mission is to make a sustainable future possible, and as part of this we need to work toward a circular economy. This will require changing the way products are designed, produced, sold and used to minimise waste and reduce our environmental impact. A circular economy is impossible without a well-functioning waste management industry underpinned by first-class infrastructure, quality operators, robust policies and an educated community.

The challenges facing Victoria and the broader recycling and waste management industry highlight that there is a lot of work to be done. I want to focus on recycling, but it would be remiss not to touch on the first two higher order elements in the waste hierarchy: avoid and re-use. Changing designs to increase product life cycles, reducing packaging and banning certain materials such as single-use plastics are just some of the ways to help reduce the amount of waste entering the system. Encouraging new ways of re-using products is equally valuable. The e-waste product stewardship scheme is a good example, where many products collected are refurbished and sold on for re-use rather than recycled.

I will move onto recycling and the challenges facing the industry in Victoria, Australia and most other developed nations right now. The China National Sword policy is often blamed for the crisis. However, it is only one of the factors and ultimately all it did is highlight the key underlying issue, which is that within Australia we do not actually recycle much. We collect, decontaminate, sort and bale various types of commodities, including plastics, paper and glass. These baled commodities then need to be further cleaned and reprocessed before they are ultimately used as a substitute for virgin materials in the manufacture of goods. That is the point at which it is recycled. While Australian companies recycle some of the baled commodities, the majority have historically been exported and in particular to China, where this further reprocessing and recycling has taken place.

Unfortunately in some cases the materials exported have been found to have never been recycled or in other cases recycled in unacceptable manners involving poor social and environmental practices. The speed at which the Chinese government implemented its National Sword policy and the levels of the revised contamination standards were not fully understood or anticipated, and this has caused significant disruption in the traditional value chain. The historical practice by Chinese markets of accepting recycling material that contained high levels of contamination created a false economy. Many domestic recycling companies got away with producing

highly contaminated commodities through very basic sorting infrastructure and were bidding aggressively for council recycling contracts at unsustainable prices. For example, some waste and recycling companies have been paying local councils to collect their yellow bin irrespective of contamination levels. When China National Sword hit, recycling companies with contaminated commodities struggled to find alternative markets for their product, and prices collapsed while they were locked into low-priced, rebate-style council contracts. This led to the accumulation of large stockpiles associated with fires and several domestic recycling companies facing financial distress.

Importantly, in this type of competitive environment it is unviable for Cleanaway and others to make much-needed investments in high-quality material-recycling facilities. The China National Sword policy will remain in place, and other South-East Asian markets such as India, Malaysia and Vietnam have already changed their policies. It will not be long before other South-East Asian markets follow suit. Australia needs to adapt to these structural changes, and while they have caused some real short-term issues to be dealt with, the changes are ultimately a good thing for the environment, jobs, investment and the Victorian economy.

We believe the solution to the problem needs to be multipronged, involving the government and industry as well as the broader community, and it needs to address the demand side as well as the supply side. On the demand side we need to increase demand for recycled commodities within Australia to reduce our reliance on export markets and move closer to a domestic circular economy. Specific solutions to drive demand and create a deeper market could include stimulating the use of domestically produced products over imported products—that is, buy Australian. Procurement policies, tariffs and subsidies could help facilitate this. Along this vein, Cleanaway has recently acquired a plastics manufacturing business in Australia and, we are bringing back onshore and in-house production of our medical waste disposal bins, which is currently outsourced to companies in China.

Secondly, by legislating mandatory targets for the use of recycled materials over virgin, raw materials. PSO schemes such as those used for lube oil can be an effective way to increase recycling rates, and we would encourage such schemes to be extended and expanded to other segments. Thirdly, by supporting and legislating new uses for commodities domestically—for example, the use of glass sand in road base. And lastly, by changing procurement policies to take into consideration the quality of the waste management and recycling service offered, not just the lowest price, which is often provided by inferior or rogue operators who cut corners.

The government can play a key role in this by amending its own policies at all levels to directly support these objectives. But while these measures could go a long way to creating a domestic market for our recycled materials, we need to recognise that ultimately Australia is a net importer of manufactured goods and, with that, a net importer of plastics, cardboard and other commodities. We should therefore assume that ultimately a portion of the commodities we collect will still need to be exported for recycling. That takes me to the supply side of the solution, which needs to address the quality of what we already produce and changing what we produce to ensure that there is sufficient, sustainable demand in the export markets.

Firstly, improving the quality of what we currently produce—that is, the baled commodities. This requires reducing contamination levels to avoid being left with unsaleable stockpiles. It starts with a reduction of the contamination at the source by educating people on what can and cannot go in a yellow recycling bin—or in a green FOGO bin for that matter. Standardising policies across councils will help reduce confusion and open up the opportunity for a statewide education program. The introduction of a container deposit scheme can also help, both by reducing litter and by creating a high-quality, clean stream of commodities. It also requires upgrades in the quality of infrastructure in Victoria, with large-scale investments required in modern, advanced material recovery facilities to create cleaner commodity streams.

Secondly, it is changing what we produce. We need to address the vacuum in the value chain with China no longer reprocessing our commodities like they used to. This requires further investments in infrastructure to take the baled commodities to value-added raw materials for use in manufacturing processes. Plastics are turned into pallets, paper is turned into pulp and glass is crushed and colour sorted to specification. There is a much larger pool of demand for these value-added products domestically and overseas, and it will create new jobs and investment in the Victorian economy. Government can support the creation of such a new industry by accelerating licensing applications selectively through grants and subsidies.

I have focused on the waste and recycling markets; however, it is important to note that similar challenges and dynamics apply in the liquid and hazardous waste market. The recent discovery of large stockpiles of flammable hazardous liquids in Melbourne and two associated major fires at EPA-approved recycling facilities highlights the need to eliminate rogue operators from the industry and the importance of more rigorous regulatory monitoring and enforcement. Many of the solutions raised here require significant investments in infrastructure, which needs to generate an economic return. Moreover, we can no longer rely on artificially low overseas cost structures to process our recycling.

In other words, there is a cost associated with the structural changes in the market, and creating a circular economy is not free. Councils, businesses and the broader community need to realise that the price they pay for their bins to be collected needs to reflect the true cost of recycling. While we believe there is a role for the government in supporting the industry through its Sustainability Fund, it is important that these funds are allocated to high-quality projects, including larger scale projects, proposed by credible developers with a social licence to operate. Without this, there is a risk funds will end up supporting the creation of inadequate infrastructure operated by parties with questionable practices and creating renewed distortion in the market. Ultimately a long-term sustainable solution will require the market and pricing to adjust to the new reality. This combined with a supportive regulatory framework will encourage companies such as Cleanaway and others to make the investments required in first-class waste management infrastructure for Victoria.

Again, thank you for the opportunity for us to participate in the inquiry, and we are happy to answer any of your questions.

**The CHAIR:** Thank you for a comprehensive opening statement and submission. I appreciate that. You mentioned late in your submission hazardous waste, and you mentioned something about eliminating rogue operators, which is something I support. From the Cleanaway point of view, you are in the industry that handles hazardous waste in various capacities, including collecting and processing, in my understanding. So what would be the preferred solution to eliminate these rogue operators? Should we enact some legislation—and if I am putting words in your mouth, I apologise—to restrict where this hazardous waste should go? For example, do we have a dedicated site or sites? Is that what you are sort of suggesting to control where hazardous waste goes—that it goes to a reputable operator so we know what we are dealing with? Can you expand a bit more on that?

**Mr LINTVELT:** It absolutely needs to be controlled, and I think it is generally controlled. The challenge here is this was an EPA-approved facility that from the outside in had everything you would expect from a recycling facility, including the licence. The issue has been the lack of oversight of that facility and of, more broadly, the operations of these guys, which ultimately came to light when they found stockpiles in warehouses unassociated with the recycling facility itself. So the incentive to not treat the waste and deal with it at a high cost made them decide to just stockpile it and put it in warehouses across Melbourne. That is the challenge. So the facility is there. The technology, from what we understand, works. It is just a lot more expensive to actually use that technology than it is to put it somewhere in a warehouse and forget about it.

**The CHAIR:** So what would you change? Are you talking about the prices? Are you talking about a subsidy? Are you saying that the industry actually generating the waste should pay more so it goes into the right place, which has got the right technology to deal with it safely? Are you able to precisely describe what you are suggesting?

**Mr LINTVELT:** Pricing probably has an element in that. I do not know the exact economics of this. We have used this facility for some of the waste we have collected, and we have not been able to justify making similar investments in plant and equipment at the prices that they are charging in the market for collecting it. So one of the issues you have is if you are competing against a facility which processes some and the rest goes into warehouses, they can compete for volumes in a way that someone who just does the right thing cannot compete against. So they are pushing down the prices in the market to levels where others cannot justify making the investment.

**The CHAIR:** You still have not answered my question. I am asking for your help here. I sympathise with what you are saying, by the way. What would you suggest the government should do to make sure we avoid that situation where these operators come in and do the niche stuff and make a bit of money, and the rest of the

stuff they just push away, because it costs so much money, and forget about it? So what is the solution? If you were designing the solution, what would be your solution to address that problem? If you want to take that on notice, feel free to do that as well.

**Mr LINTVELT:** No, no.

**Mrs CRESWELL:** One part is the enforcement aspect. So we have already seen changes in the EPA. I think they have more money around enforcement, so that is really, really important. The new act will come in, I think, in a year—

**The CHAIR:** July next year, yes.

**Mrs CRESWELL:** We will get the new legislation and the chain of responsibility, and sort of the shift in responsibility for those goods should go right across the chain, so I think those things will help and that will help drive pricing that is more realistic and hopefully enable investment by maybe operators who are going to do the right thing. But again it is that issue of cost. There is a cost for this to be done. It is a really important thing to be done, and that needs to be recognised in all waste streams, I think. It is not free.

**Mr LINTVELT:** If I may just add, one is actually the monitoring of it and whether there is more that can be done to extend it, not just beyond what comes through the gate but what actually happens with it and everything else around that. But also linked to that is the penalties. In some cases the penalties for not doing what they should be doing are very small in the overall context of the profits that are made by not doing the right thing.

**The CHAIR:** Before I move on, someone said to me once: you are actually receiving the levy for the product; should that maybe be changed so that the money is paid when the product is processed? How does that work now when you get—

**Mrs CRESWELL:** I think you were focused more on the stick, weren't you?

**Mr LINTVELT:** Yes.

**Mrs CRESWELL:** When you are caught, a \$15 000 fine is not really going to—

**The CHAIR:** Get a bigger stick. Okay. I will come back. I have got another issue which I will raise later on in relation to organic waste.

**Dr RATNAM:** I have got a couple of initial questions. Thank you both very much for your submission, which I thought was really comprehensive, and for appearing before us today. Firstly, can I ask a general question about your business model? You are talking about acquiring a plastics manufacturing part of the business. It sounds like your business is evolving as well. I just want to get a bit of a sense of the different things that you do.

**Mr LINTVELT:** We compete within pretty much every waste stream within the overall market: liquid and hazardous, non-hazardous liquids, solid waste and every type of solid waste, and from both the municipal streams as well as the commercial and industrial.

**Mrs CRESWELL:** And medical.

**Mr LINTVELT:** And medical—yes, good point. So, yes, we operate across all those segments, and within each of those we try to have as much control as possible—so from the collection through to the recycling and ultimately disposal or treatment of it. That is not the case everywhere but that is the goal.

**Dr RATNAM:** You talked about liquid and hazardous waste, and I assume that some of that previous reference was about the market being kind of distorted by these players who can stockpile and therefore, you know, artificially impact the market. I presume you are one of those businesses that have been competed against by those types of providers.

**Mr LINTVELT:** Yes.

**Dr RATNAM:** Right. What has been the impact of a business model of yours? I presume that you have been trying to do the right thing.

**Mr LINTVELT:** Yes. To take that case, several years ago we looked at ways of internalising some of the waste that we would send to that particular operator. But when you look at the economics, it just does not stack up, because a lot of these investments to build these facilities—to build them properly, that could be a \$10 million, \$20 million or \$30 million investment. And if you cannot make money at the rates that are available in the market, then it is hard for us to justify those investments.

So there are segments where we rely on third parties and we do not control the full value chain.

**Dr RATNAM:** We have been talking this morning about toxic chemical pile-ups and the risk they pose to the community. We have had the firefighters talking to us today as well in terms of the impacts of what happens when you do not prevent this type of stockpiling. A number of the suggestions in terms of increasing enforcement and making sure that there are much stronger penalties to prevent this type of action, would they be some of the measures that you think would impact your business and help your business, and help people do the right thing?

**Mr LINTVELT:** I think again, penalties and increased penalties for not doing the right thing will increase price levels in the market.

**Mrs CRESWELL:** But then I think from our point of view we value social licence highly and I do not think that we are seeing penalties as a driver for us making some decisions around behaviour. We see that it would have a good impact on the smaller or rogue operators in a way that would help our business because then we would get more chance to compete with the pricing and that sort of thing. So we are not saying it changes our behaviours. We feel that we behave very well already.

**Dr RATNAM:** Moving in my next question to talk about recycling, one of the key focuses of this inquiry, and once again I think your submission has been quite comprehensive in looking at all the different kind of levers that we have in terms of reducing the amount that goes to landfill and increasing our local recycling industry as well. You talked about the landfill levy being a potential lever and potentially there is more room for us to move there to have an impact in reducing the amount that goes to landfill. Can you expand a little bit more in terms of what your views are and some of the solutions that you think could work?

**Mr LINTVELT:** Certainly. There is no doubt in my own mind that the levy is an effective tool to increase resource recovery, and we see that the massive differences between the states within Australia means that there is potential to invest in New South Wales but not, for example, in Queensland where there was up until recently no levy at all. So the rates for sending something to landfill in New South Wales are well into the \$200s, in Queensland it is around \$30 or \$40 or \$50. So you can imagine that the way we look at it—avoid sending a tonne of something into landfill in Queensland you are not saving much; you are saving \$30. To avoid sending it into a landfill in New South Wales you save over \$200. You can use that \$200 to invest in something to pull out whatever you can pull out. So it is a very effective tool and it is a market-driven tool. Depending on where the level of the levy sits you can start investing in different types of facilities. There is a lot of talk about waste-to-energy, and we might touch on that. For that to start working as an alternative to landfill the levies need to be higher than where they are, but it helps.

**Dr RATNAM:** Okay, thank you.

**Mr LIMBRICK:** Thank you for your presentation earlier. I have got a question about how electricity or energy in general feeds in as a cost factor into recycling. In your economic models when you are building a business case for a new facility or for recycling a certain product, how much of a component of that is electricity or energy in general? Is that a significant thing?

**Mr LINTVELT:** It will very much depend on the waste stream because in some cases we collect a gate fee to take in a waste stream, in other cases we might pay a rebate. If we look at paper, if we are taking clean paper in that comes through the door, we end up paying those customers for that commodity effectively, but in other cases if we are taking through a very heavily contaminated mixed load we might be charging them on the basis that it is effectively waste and we will try and pull out what we can pull out. So the revenue side of it is very

different and therefore the cost percentage would be very different. But overall I would say power and labour are the biggest costs for our business—and then disposal depending on what you are left with. So if a certain facility recovers 70 per cent but then 30 per cent goes to landfill, then taking the case of Victoria and New South Wales, that cost of disposal of the residuals is still very high. So those are probably the three main buckets of cost for us.

**Mr LIMBRICK:** Okay. I was sort of just trying to explore the point that was made to me a few times that recycling materials costs materials, and energy obviously is a big thing.

**Mr LINTVELT:** And looking at the increase in the standards or the levels of contamination means that you cannot do everything with optical sorters and equipment. You need more people on site to manually go through whatever is left in terms of the contamination. So in our recycling facility in WA that is what has happened—more people were put on the line to literally go through and sort out what is still left.

**Mr LIMBRICK:** Another comment on a different topic was on single-use plastics. You spoke about how that can help reduce the amount of waste. I am just sort of trying to get to what is the point of this. We heard earlier testimony that a good candidate for banning a particular single-use plastic is something where there is a substitute product, and that would indicate to me that the objective there is not to reduce overall waste but to stop using plastic. Do you have any evidence that banning single-use plastics would actually reduce overall waste streams? I have just been thinking about, you know, people will substitute for other products, right?

**Mr LINTVELT:** Yes, possibly. Intuitively I would say it has to help. When you look at the statistics of waste generated per capita here versus other markets where there are arguably more advanced systems and they are more developed in terms of banning single-use plastics, it is hard to make a real difference. I think there are a lot of other factors that come in, whether it is the way they collect data or the way they buy their products, there is a lot of factors that come in. Evidence I do not have, but if I look at markets in Europe, you cannot get a straw anymore with your drink—they give you a metal straw or they do not give you a straw at all—so this is the whole straw debate; plastic bags is I think another example. I do not know what it is like in Victoria but in New South Wales they introduced it and now everyone comes in with their reusable bags. So that has to have an impact on the amount of waste getting into the system, I have no doubt. Whether it is measurable at this stage I do not think so.

**Ms TAYLOR:** I have got a couple of questions. Do you think that we can get to the point where we are no longer having to export recycled products overseas, that we could get to that point of sustainability? Are you confident that we could do that?

**Mr LINTVELT:** Actually we are just going through that analysis now. We are looking at the moment at extending our value chain. At the moment our value chain ends when we bale it and we send it to domestic packaging companies or we export it. I do not know what the demand would be if we took it to that next level—would there all of a sudden be domestic companies that say, ‘Well, actually, if you’re selling pellets of plastics, yeah, I’ll take it’. I do not know. This is where it would be interesting to see what the packaging companies do as well. There is that gap where we stop and where they begin, and I get the sense they are prepared to invest in some of it but not in all of it. So, yes, we are actively looking at: what is that opportunity for us to bring that onshore? What do we then make? And then it goes beyond my understanding, but there are different types of paper you can produce and different types of pulped rolls or whatever it looks like. We need to find out what is it we need to make to maximise the domestic market and who are the buyers for that. I suspect there will still be an overseas market but the problem is then reduced because there is demand overseas. The moment we clean it up and create pellets we do not have any issues exporting it. Then it becomes just a value perspective on, ‘Is it better to keep it domestic?’. Yes, you avoid the transportation and all of that, but the bigger issue you solve is that there is a demand so it does not end up stockpiled or in landfill.

**The CHAIR:** Just a follow-up on that, should we then as a matter of policy as a state government and a federal government, for example, invest in the current industry or make the environment right for industry to invest to actually recycle, clean it up and have an end product and then send it to manufacturers around the world? Is that something we should think about as industry and government jointly—to make it happen as a potential industry?

**Mr LINTVELT:** To mandate it or to—

**The CHAIR:** Well, to make it happen—you can mandate or you can encourage or you can put things. If you are saying it is possible because you can sell the product, because people are happy to buy it from all over the world, the question is can our industry and government—a partnership or whatever—make it happen, because there are still markets for it?

**Mr LINTVELT:** I think it will happen. I think we are at a point where the market will adjust. People are no longer going to pay silly prices to collect commodities. I think they will realise you cannot make money on that; you are going to end up stuck with it. I am fairly positive at this point that we will make investments in this thread of processing. It is one of the reasons we bought this plastics company within Australia—to better understand this. I think, on the back of that and the market changing overall and us wanting to de-risk all the commodities we hold, we will make further investments. And I think we are seeing a lot of other companies—Coca-Cola Amatil has been very public about their intentions to do more around this, and I would not be surprised if someone like that invests in pelletising domestically and creates further demand. The supermarkets have been talking about things. So there is a lot of talk about it at the moment. There is a facility opening this week in Melbourne, which I will have a look at this week. So I think the technology is there. The opportunity economically, I suspect, is there. Whether ultimately all of it gets used domestically or overseas is to be seen I suppose but is less relevant than having the facilities here in the first instance. So I think there are going to be some real changes here.

**Ms TAYLOR:** You have spoken a lot here about mandatory recycled content, which sounds like a really good idea. Yesterday with the MAV I just got the impression they were hedging a bit on that and wanting it and not to be necessarily mandatory, but my fear is—I guess I would like to hear from you—it seems like it is fairly critical to drive the market. Do you want to expand on that a little?

**Mr LINTVELT:** Yes. I think it is important. There is no doubt that if we can increase that domestic demand, then again it helps build the case to build domestic reprocessing of the commodities in the first instance. If there is not the demand locally, then it is a bit harder. So the more we can increase the demand for the end product here, the easier it is to justify lining up with that whole value chain and creating what they need. And it is probably easier and in some cases cheaper—in glass, for example—for them to use raw materials, virgin materials, than it is to use recycled materials. So again, there are stockpiles of glass everywhere. It can be beneficiated in the way that they can use it but they do not have an economic incentive to do so. If the economic incentive is not there, then it makes sense to mandate it in other ways.

**Mr DAVIS:** I have a question about your firm and how it has interacted with the government's Sustainability Fund. There is more than half a billion dollars in that fund. Have you sought to access that fund to enable you—using your words, the value chain—to put projects forward?

**Mrs CRESWELL:** Not that I am aware of. Frank? I cannot remember exactly what the process is for access, but it is not a matter of just applying and being granted. I thought there had to be some formal allocation or some process. I am not across that, but I do not think we have ever had grants from the Sustainability Fund.

**Mr DAVIS:** Have you had any grants from Sustainability Victoria or other groups of—

**Mrs CRESWELL:** I would say so. Maybe with our FOGO system that we are doing up in Albury-Wodonga—that may have had an aspect of SV funding. It certainly was council driven—

**Mr DAVIS:** We would be interested to know what grants you have had, if any.

**Mrs CRESWELL:** I will have to take it on notice.

**Mr DAVIS:** Take it on notice. It seems to me your firm is in a position to look up and down the value chain and come forward with useful proposals, and it seems that there is no opportunity to do that, as it were.

**Mr LINTVELT:** Yes.

**Mr MEDDICK:** You mentioned in your submission that regulators need to set a framework that sets suitable standards for all of the waste industry and not simply the largest participants. In a perfect world let us assume that these regulations are in place—they came out of this committee process and they are in place. I make the assumption then that you would feel that the EPA are the agency that would enforce those regulations—correct?—and that there would be a cost associated with that in terms of there will need to be more inspectors and there will need to be other associated costs and that they will be borne out of that. Is it foreseeable that that increase in costs will just simply then be passed on to the industry's shoulders in terms of greater fees and an increase in levies and that that may in effect price some smaller operators who are doing the right thing out of the market? I certainly take your point in other parts of your submission that there is a propensity for the rogue operators, if you like, to come from these smaller operators. Do you feel that that would be a situation, though, that that increase in cost would simply leave the market just to the bigger players like yourself?

**Mrs CRESWELL:** It should not, because, I mean for example, I am not sure of how the EPA is funded entirely, but a lot of that comes out of the levies. So that is not a cost to the actual business, that is to the customer. So I am not sure that you would then see smaller operators being disadvantaged.

**Mr MEDDICK:** I am just concerned that that extra cost in regulation and extra regulation and enforcement would just be then foisted down upon the industry and therefore—

**Mrs CRESWELL:** Are you suggesting, then, there would be a charge to operators?

**Mr MEDDICK:** Yes, perhaps. That is the question.

**Mrs CRESWELL:** Right. I assume that would be on some kind of relative volume basis, so it probably would be applied equally, but that is not how things operate at the moment; I do not think so. Frank? I do not think it would necessarily, I guess. I think good operators would be able to survive.

**Mr LINTVELT:** I do not think there is a choice. I think the rules need to apply equally to everyone, and not having the rules is not an option. There is a cost to compliance, but to go to Penny's point, there are plenty of really good small operators that have built high-quality facilities, that care about health and safety and the environment and that are making good money out of it, so I do not think it—

**Mr MEDDICK:** I raised the question because there may be some that might feel that there is a concern that that might happen to them, that is all.

**Mr LINTVELT:** Yes, and it probably depends on the type of facility. Historically, and I think this has been one of the issues, a mirror for a material recovery facility could be just a shed where there is a conveyor belt with five people on it. That is one option. We built a \$25 million facility in WA and it has optical sorters and all sorts of technology that gets to much higher standards, but to get to those standards requires those sorts of investments. So, will an individual with limited access to capital be able to build a facility like that? No. Will grants help in those cases? Yes.

Look, there will be some element that it consolidates a bit amongst more capitalised players, but I think there are still a lot of parties that do very well on a small basis. And I think that facility opening in Melbourne this week is a great example of that. They have seen an opportunity, they have clearly acted faster than the majors—good on them.

**Ms TERPSTRA:** Thank you for providing your evidence here today in the inquiry. You may or may not be able to answer this, but I am interested in what happens once the materials like plastics are baled and some of it is exported overseas. Are you as a company concerned to know what is happening to that bale of plastics once it gets to the other end? I guess what I am concerned about is if there is an export of plastics, we often see those photos of literally a sea of plastic material in the ocean, we hear stories about people using it on fires to cook food. So from your perspective, particularly if your company does this, are you concerned to know what happens with that plastic? Is it something you contractually make sure of through your company, or is it just a matter of saying, 'Okay, once that product is baled it's sent off and that's the end of the story'? How do you kind of make sure that it is being used, I guess, for the purposes that it was intended or advised that it was going to be intended for?

**Mrs CRESWELL:** I am not aware; I will have to take that on notice. The market is generally like a trading commodity market rather than necessarily specific contracts with recyclers, say in China or Malaysia, but I can find that out.

**Ms TERPSTRA:** So it might just be that there is a pallet or a bale of plastics that weighs X amount and that is what you are shipping off and receiving for; is that what happens?

**Mr LINTVELT:** Look, we can provide further feedback on that. I would say, though, that the risk is greatest around the example you give, where someone has exported commodities and got nothing for it. If you exported a bale with lots of plastic and lots of other things and someone took it off you for \$1, the risks of that ending up somewhere where it should not be is great. If someone has paid \$600 per tonne for what we are sending, then they will be using that. Now, will they be processing it the way it should be? I do not know how we would control that, but certainly in some cases we have got direct relationships with the end buyers.

**Mrs CRESWELL:** And also now we obviously have Chinese inspectors come out and inspect the bales before they are loaded. That sort of thing is occurring, we have seen it, and that is a good quality measure, but in terms of what actually happens, I am not sure.

**Mr LINTVELT:** And I think a big safeguard at least from our end is if we know what we are exporting and how much is paid for that, then they are actually buying a product; it is not an end product, but it is something ready to be re-used. To go to Penny's point, the same with Indonesia, there are regulators here that come and inspect it before it gets put on the ship, so they actually know what is in there, does it meet the standards, before it gets sent overseas. During our process we take pictures throughout that to be able to give evidence to say, 'Well, this is what it looks like', to make sure that what leaves port is of a good standard.

**Dr RATNAM:** You mention in your submission that your supporters thought that a container deposit scheme could be a welcome introduction in Victoria, and it sounds like you are involved in the New South Wales scheme. Can you talk us through a little bit about how the scheme in New South Wales works, because we are thinking about the different models. We are aware that there are different models that are operating.

**Mr LINTVELT:** Yes, I will try to explain it. There is the overall scheme coordinator, I think it is called—

**Mrs CRESWELL:** Which is the beverage industry.

**Mr LINTVELT:** Yes, the beverage industry. Then there are the scheme operators—

**Mrs CRESWELL:** Which is Cleanaway and Tomra.

**Mr LINTVELT:** Which is Cleanaway in partnership with Tomra. We basically run the day-to-day scheme and then there is the coordinator who arranges it; that is more where the payment system comes into it. So the benefit of the scheme there is that our joint venture with Tomra has been introduced on a statewide basis, which again means you have an efficient rollout of the equipment required. The partnership is with Tomra, which is a leading player in that globally, so they make the actual machines that test whether what you put in there is actually recyclable and has the 10 cents or not, and we do the collections of that. So we have bought all the extra trucks to go around and collect it. So between us, you know, you are then able to say, 'To optimise that network of infrastructure this is what it looks like'.

**Dr RATNAM:** You mentioned in your submission as well that it is increasing the quality of the recyclables that you are collecting, and that means that you can use it more readily. Is that right?

**Mrs CRESWELL:** Because it is not contaminated you get all your Coke bottles or whatever—drink bottles, your glass—and there is a very clear stream. We had some issues with sugar initially in dealing with that, but otherwise you have baled materials or glass going for benefaction that is pure. There are no plastic bags in there; there are no nappies. It is not like a co-mingled domestic bin; you get a really clean product.

**Dr RATNAM:** That is because consumers are changing their behaviour, or the system itself allow for better—

**Mr LINTVELT:** Well, when you put it in the machine it spits it back out if it does not recognise it, and it checks the weight, the form and the barcode. So it is a good piece of machinery. If you put your pizza boxes in there, it will spit it back out again.

**The CHAIR:** Who collects the ones who hit the floor? Who collects the items that are spat out? Who collects that?

**Mrs CRESWELL:** There are very strict rules around bins having to be within a certain distance. Sometimes there are shopping trolleys full of rubbish there, but, yes, it is an ongoing challenge.

**Mr LIMBRICK:** Did I hear right before when you were speaking about the possibility of tariffs and subsidies, and you also commended procurement policies. I see all these things as large expenses for consumers and taxpayers. The idea with tariffs and subsidies normally is to protect from some sort of competition. What sort of competition are you asking for government protection from, and what is the justification that taxpayers should have to pay that?

**Mr LINTVELT:** Are you talking about the container deposit scheme or more generally?

**Mr LIMBRICK:** No, not that specific. Although that could be included in that.

**Mr LINTVELT:** Ultimately, as you said, to do all this domestically, what we are talking about here, there is an increased cost, and the question is: who is going to pay for that? It could be the consumer by having to pay more for their bin collection through the council. I think that is an element, because that has been artificially low. Businesses—paying for the bins. So it could be at that end-user, the waste generator, I suppose, they could pay for it, or it could be further upstream through the tariffs and all the others—by forcing a glass company to use a domestically recycled product at a slightly higher price, which then gets put through the product itself, which then gets put through to the—but it all ends up with more—

**Mr DAVIS:** So they are mandates is really what you are saying there. They are mandates of some type.

**Mr LINTVELT:** Yes.

**Mrs CRESWELL:** I guess the way we see it is the cost will probably end up with the consumer one way or another. As a community the question we have to ask is: how much are we prepared to pay to have a better impact on the environment?

**Mr LIMBRICK:** That is a very good question that I am asking, I suppose.

**Mrs CRESWELL:** That is a very broad question for the government, and it is a really important one. And maybe then people do look higher up the waste hierarchy to avoiding and reusing themselves.

**The CHAIR:** Look, you could not escape without me asking you this question, particularly in relation to the Ravenhall tip. Do you see a time when we are able to divert, totally, organic waste and food waste to Ravenhall? Anything that generates methane—that is where the uproar is in relation to the community, which I totally support. It is something that should not be going to landfill. From the Cleanaway point of view, do you see a day where we are able to divert that from going to landfill and looking at alternatives to landfill?

**Mr LINTVELT:** Yes, absolutely. It will take time, but there is no reason why Australia cannot get to the 90 per cent-plus recovery targets that they have in Europe. The difference is probably twofold in Victoria. One is a better organics collection system, because if you start with the general waste bin, you are not going to get decent organics out of it, but I think that is pretty good in Victoria with the FOGO bin, and we—

**Mrs CRESWELL:** So the system we run up around Albury-Wodonga and around there—that has been extremely successful, very low contamination rates. That had a very big education push behind it with a superstar dealing it out, and it has been very, very successful. We do not see why that could not operate in the suburbs of Melbourne as well.

**The CHAIR:** Waste-to-energy—is that another option?

**Mr LINTVELT:** Yes, waste-to-energy is the other component. While we have a big landfill here we ultimately see the market.

**The CHAIR:** And you are looking at a waste-to-energy program in New South Wales.

**Mr LINTVELT:** Yes. Again, we are a listed business so it has to stack up and it is a half-a-billion-dollar project, but we are actively looking for opportunities in New South Wales given the rates. That is why I said the levies there make it possible. There are a lot of companies and states talking about wanting it, but in Queensland at \$30 per tonne, good luck spending half a billion dollars. It is not going to work.

**The CHAIR:** Okay. Thank you again, both, for giving us your time and valuable information. I think a number of issues were raised during the hearings, and the secretaries will forward the list of questions and issues to you that needed to be followed up. So again thank you. A copy of the transcript will be sent to you shortly, so if any corrections need to be made we would appreciate that. Thanks again.

**Mr LINTVELT:** Thank you.

**Mrs CRESWELL:** Thank you.

**Witnesses withdrew.**